Austria	Sch 20	Indonesia	Rp 2500	Portugal	Esc 90
Bahrain	Din 0.650	Italy	L 1500	S. Arabia	Rls 6.00
Belgium	BFr 45	Japan	Y 250	Singapore	S$ 4.10
Canada	C$1.00	Jordan	Fils 500	Spain	Pta 125
Cyprus	C£0.70	Kuwait	Fils 500	Sri Lanka	Rup 30
Denmark	DKr 8.00	Lebanon	L 8.00	Sweden	Skr 7.00
Egypt	E£1.00	Luxembourg	LFr 45	Switzerland	SFr 2.20
Finland	Fmk 6.50	Malaysia	Rm 4.25	Taiwan	NT 35
France	Fr 6.00	Mexico	Pes 300	Tunisia	Din 0.600
Germany	DM 2.20	Morocco	Dh 6.00	Turkey	L 250
Greece	Dr 80	Netherlands	Fl 2.75	U.A.E.	Dh 6.50
Hong Kong	HK$ 12	Norway	Nkr 7.00	U.S.A.	$1.00
India	Rup 15	Philippines	Pes 20		

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,821 Monday January 6 1986 D 8523 B

Stock markets: Europe in spotlight, Page 12

World news | Business summary

Hart drops out of Senate contest

Senator Gary Hart, a candidate for the Democratic nomination in 1984, said at the weekend that he would not seek re-election to the US Senate next year, but stopped short of announcing an outright bid for the presidential nomination in 1988.

Mr Hart, whose campaign for "new ideas" brought him close to beating former Vice President Walter Mondale for the Democratic nomination two years ago, is widely considered to be the front runner. **Page 14**

Pakistan rallies

Pakistan's largest opposition party the PPP, staged the first open political rallies in the country since eight and a half years of martial law ended last week.

Spain Nato warning

Spanish Deputy Prime Minister Alfonso Guerra said the Government might dissolve parliament and call early elections if it lost a referendum on continued membership in Nato.

Punjab killings

Two people were killed and at least seven injured over the weekend as Sikh extremists stepped up attacks in India's Punjab state.

French air strike

French air traffic controllers have called a one-day strike, but minimum service will be provided for both national and international flights according to airport authorities.

W. German arrests

Police said that 134 anti-nuclear demonstrators were arrested in Amberg, northern Bavaria, after damaging the façade of a jail holding two protestors who allegedly clashed with officers at a nuclear plant construction site.

Death toll rises

The death toll in a bitter spell of cold weather sweeping down from the Himalayan mountains across northern India and neighbouring Bangladesh in the past 12 days has risen to at least 147.

Volcano rumbles on

Colombia's Nevado del Ruiz volcano rumbled loudly and ejected ash, raising fears of an imminent eruption similar to the one that killed 23,000 people in November. **Page 3**

Gulf flare-up

Iraq said its aircraft attacked Iran's main oil export terminal at Kharg Island and hit a large naval target in the Gulf.

Avalanche kills two

Two Swedish skiers died in hospital after being caught in an avalanche in the mountains near Verbier.

Soviet sackings

A large number of party officials in the Soviet republic of Kirgizia have been sacked and seriously reprimanded for allowing a drop in economic performance and moral standards, according to the government newspaper Izvestia.

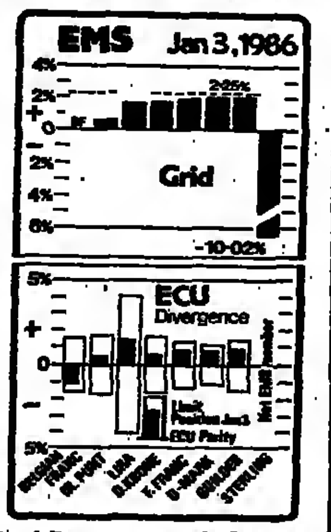
Isherwood dies

British-born author Christopher Isherwood, whose book "Goodbye to Berlin" was made into the film and stage musical "Cabaret," has died of cancer at the age of 81. **Obituary, Page 11**

Icahn becomes chairman of TWA

CARL ICAHN, the Wall Street investor, has become chairman of TWA, struggling US airline, after resolving a last minute stumbling block with the air carrier's pilots and winning management approval for a revised and scaled-down no-cash merger deal. **Page 16**

EUROPEAN **Monetary System:** Attention remained focused on the weakness of the dollar last week whila proximity of the new year kept trading volume to a minimum. The D-Mark's improvement against the dollar to a two-and-a-half year high produced no immediate pressure on the weaker members of the system although a continued dollar decline would renew speculation of a currency realignment. Apart from the Italian lira and its wider range of divergence, the D-Mark was one of the strongest currencies together with the Dutch guilder.



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

TOKYO: Nikkei index closed 23.55 up on Saturday at a record 13,136.87. **Page 29**

PAKISTAN'S plan to commission three foreign companies to undertake some $1bn in countertrade business has brought protests from 40 other companies. **Page 4**

OIL has come on stream at the Welton Field, near Lincoln, north-east England, with production expected to reach 3,300 barrels a day this year.

CHINA and West Germany have set up a joint company to promote the use of the Trans-Siberian Railway for freight. **Page 4**

BALDWIN-UNITED, financial services group operating under Chapter 11 of the US bankruptcy code, has signed a series of agreements which it says clear main obstacles to its reorganisation plan. **Page 16**

CHASE MANHATTAN Bank has joined forces with Cedel, the Luxembourg-based Eurobond clearing house, to provide a same-day settlement service for issuing and trading Euro-commercial paper. **Page 16**

QUALITY national newspaper planned by former Daily Telegraph journalists will tomorrow announce the names of six institutional backers investing a total of £2m ($2.8m). **Page 6**

SWISS NATIONAL BANK announced a loss of about SFr 3.6bn ($1.7bn) in 1985 on foreign currency holdings.

French press magnate defies newspaper ownership law

MR ROBERT HERSANT, the French right-wing press magnate, has deliberately defied President François Mitterrand's Socialist Administration by taking over a leading provincial daily in violation of a recent law on newspaper ownership, writes David Housego in Paris.

Mr Hersant announced his move at the weekend in the confident expectation that a right-wing government would come to power in the wake of parliamentary elections in March and repeal the controversial legislation. Mr Hersant is himself standing for election to the National Assembly as are some 15 of his staff and editorial writers.

The new law, aimed at limiting the number of titles that can be owned by any one group, was specifically intended by the Socialists to halt further expansion by Mr Hersant, whose flagship paper is Le Figaro. His group already accounts for 38 per cent of sales by French national daily papers and 19.2 per cent of provincial sales.

The acquisition of the Lyons daily Le Progrès, will give him a virtual monopoly of the local press in and around France's second largest city. In addition to his press interests Mr Hersant is also the leading candidate to take over the state-owned television channel Antenne 2 which the right is committed to privatising after the elections.

Mr Hersant underlined his defiance of the Government, by not even bothering to consult the watchdog commission set up under the new law to maintain pluralism in the press.

Mr Henri Caillavet, president of the commission, described the takeover as "illegal" and said that Mr Hersant would face prosecution before the courts. But it is doubtful whether either the commission or the Government have the power to impose on Mr Hersant the heavy fines – and even in certain circumstances the prison sentence – provided for by the law.

In the same spirit, his son, Mr Philippe Hersant, gained control last week of another regional newspaper, the Union of Reims, by obtaining a six-month management contract. The press commission had earlier ruled that its purchase by the Hersant group would be illegal.

With some 21 daily papers now to his name and some 20 magazines, Mr Hersant is by far France's most successful newspaper manager. He flaunted that on Friday by announcing that in future Le Figaro would carry a strapline on its masthead describing it as the "first national daily." With an estimated 25 per cent increase in circulation in recent months after introducing a financial "bingo" game, it now sells 460,000 copies a day – thus overhauling Le Monde.

This new acquisition is thus bound to raise fresh questions in France about the concentration of newspaper ownership and about the economic weakness of many French papers, which has left them vulnerable to Mr Hersant's pressures.

It was partly in the hope of establishing a counterweight to Mr Hersant's influence that President Mitterrand recently announced the setting up of a fifth French channel, with shareholders including Mr Silvio Berlusconi, the Italian television magnate.

But there were even signs of disquiet on the right over the weekend at the pace of Mr Hersant's expansion. The strongly right-wing paper Le Quotidien described Mr Hersant as a "megalomaniac" in a front-page editorial and said his "exorbitant influence" must be opposed.

A politician also nervous of Mr Hersant's advance is Mr Raymond Barre, the former Prime Minister, whose political base is Lyons. Mr Barre has made little secret of his wish to preserve pluralism of the press in his region.

Mr Hersant's purchase of the Lyon Progrès with a circulation of 297,000 but substantial losses and debts comes on top of his acquisition in 1983 of its main regional rival Le Dauphiné Libéré. Along with Le Progrès, Mr Hersant has obtained a 40 per cent stake in Le Journal de Dimanche, France's only national Sunday paper, and other regional titles that belonged to the same group.

The press law limits any group to a ceiling of 10 per cent of the circulation of the national and the daily press. But if the group has interests in both, a ruling by the Constitutional Council that the law could not be applied retroactively prevented it from being used to strip Mr Hersant of his existing titles. None the less, the Socialists hoped it would halt him in any further expansion.

Mr Georges Fillioud, the Minister of Communication, who piloted the law through the National Assembly, said over the weekend that Mr Hersant's purchase of Le Progrès was "invalid."

Socialist party officials, trade unionists, journalists associations, and most centre to left-wing papers also condemned it.

Westland expected to unveil improved offer by Sikorsky

BY LIONEL BARBER IN LONDON

WESTLAND, the troubled British helicopter company is expected to announce an improved offer from Sikorsky/Fiat today which the board considers is better than the rival rescue plan put forward by the five-strong European aerospace consortium.

Last night, the European consortium, advised by Lloyds Merchant Bank, attempted to block approval of the new offer by the Westland board by requesting an immediate meeting to discuss their proposal.

One option being canvassed within the consortium and the UK Ministry of Defence, which strongly favours the European plan, is to go to the High Court to argue for an adjournment of the extraordinary general meeting of shareholders on January 14 to vote on the Sikorsky/Fiat offer.

After four days of tense negotiations in London, Sikorsky/Fiat agreed in principle yesterday to increase the amount of guaranteed subcontracting work to Westland and to sweeten the financial terms for the company's shareholders and banks under a £72m ($102m) reconstruction plan.

The new package, to be approved by the Westland board and sent to shareholders today, is expected to include an offer of about 3m guaranteed man-hours' work, topping the European offer of 1.8m man-hours. This represents almost double the earlier offer of 1m man-hours by the American and Italian partners, but the work will be spread over a period longer than the three years originally agreed.

Matching or improving the financial terms offered under the £73m European rescue plan has, by all accounts, proved more taxing.

Under the revised offer, Sikorsky/Fiat is expected to relinquish their original option to subscribe to new shares which would have allowed them to control up to 39.9 per cent of the company. The new shares are now expected to be offered to existing shareholders, reducing the Sikorsky/Fiat stake to 29.9 per cent, or possibly less on a fully diluted basis.

Westland's advisers, Lazard Brothers, are understood to have argued that there was a risk of financial institutions blocking the reconstruction plan at the shareholders' meeting on January 14 unless their stake in the recapitalised company was raised.

A second obstacle in the negotiations has centred on Westland's bankers, National Westminster and Barclays.

Under the European offer, drawn up by Lloyds Merchant Bank, the two banks were asked to convert £23m of current debt into preference capital compared with £28m under the original Sikorsky/Fiat proposal.

The banks are understood to have pressed for similar favourable terms. However, Sikorsky/Fiat argued that this meant their putting up an extra £5m to relieve the banks' burden. These differences were apparently resolved over the weekend but only after prolonged debate.

Sir John Cuckney, Westland's chairman, is expected to firmly recommend the revised offer from Sikorsky/Fiat today and to press ahead with plans to hold the extraordinary general meeting on January 14. The board has taken legal advice and been assured it can put the revised proposal to shareholders, even at such short notice.

Mr David Horne, managing director of Lloyds Merchant Bank, said yesterday: "I believe that the meeting should be adjourned in the interests of equity so that both offers can be considered properly by the shareholders."

Mr Horne spent the weekend in Paris and Munich holding talks with senior executives of Aérospatiale and Messerschmitt-Bölkow-Blohm respectively. He said he could not rule out a further revised offer from the European consortium, which also contains British Aerospace, GEC and Agusta of Italy.

Mr Horne asked the French and German aerospace manufacturers to press their governments to spell out publicly the danger of Westland shifting itself out of future European collaborative ventures if it pursues the Sikorsky/Fiat plan.

Peter Riddell, Political Editor, adds: Mr Michael Heseltine, the UK Defence Secretary, was last night in an exposed political position and

Continued on Page 14

Inquiry into US N-plant leak opens

By Nancy Dunne in Washington

THE US Nuclear Regulatory Commission (NRC) began an investigation yesterday into an accident at an Oklahoma uranium processing plant, where one worker was killed and more than 100 others were injured.

The accident occurred when a tank filled with radioactive gas ruptured, sending a highly toxic cloud of slightly radioactive uranium hexafluoride gas into the atmosphere near the Sequoyah Fuels Corporation plant in Webbers Falls, Oklahoma, on Saturday.

The plant is owned by a subsidiary of the Oklahoma City-based Kerr-McGee Corporation, the company whose safety practices were at issue in the controversial Karen Silkwood case. Miss Silkwood, the subject of the film Silkwood, died mysteriously in a car accident when she was pursuing allegations against the company.

Officials said that the gas cloud dissipated in winds of more than 20 miles per hour, two hours after the gas tank ruptured. The accident occurred just three days before the NRC was scheduled to hear proposals for an expansion of the plant's activities.

According to plant officials, the rupture came as the container was being heated. The plant was evacuated after the accident but by late Saturday afternoon operations had resumed.

Dozens of workers and nearby residents were brought into area hospitals for "apparent hydrofluoric acid exposure" which causes irrita-

Continued on Page 14

US and Israel warned over threats to Libya

BY ROGER MATTHEWS, MIDDLE EAST EDITOR, IN LONDON

THE SOVIET UNION and Arab countries have rallied to the defence of Libya in the face of US and Israeli threats of military action against Col Muammar Gadaffi's regime.

The Soviet Communist Party newspaper Pravda yesterday accused the US of preparing for armed intervention. It warned that the US and Israel had no right to adopt the role of judges in assessing blame for the terrorist attacks at Rome and Vienna airports in which 19 people were killed.

The US and Israel have said the attacks were carried out by the extremist Palestinian faction headed by Abu Nidal which is supported by Libya. Pravda said yesterday that repeated Libya denials of involvement had been totally ignored by Washington.

The Arab League, which groups 20 Arab countries and the Palestine Liberation Organisation, said yesterday after meeting in Tunis that it had taken "appropriate measures" in response to "threats by the US against Libya."

On Saturday the Arab League's permanent representatives described the US threat as a challenge to the entire Arab world.

Syria has been the most outspoken, pledging military support for Libya "in order to confront any aggression." It contrasted the US threats against Libya with its silence on "Israel's organised terrorist and racial practices against the Arab population of the occupied territories."

The annual meeting of the 45 countries belonging to the Islamic Conference Organisation agreed yesterday to place "an examination of Zionist and imperialist threats against Libya" on the agenda of its discussions which open today in Morocco.

Many members of both the Arab League and the Islamic Conference Organisation are normally suspicious of, or hostile towards the Libyan regime, but appear to view the possibility of Israeli or US military intervention as a greater threat to regional stability.

Egypt, a bitter opponent of Col Gadaffi, has again urged the US and Israel not to launch a retaliatory attack, while Kuwait said that it was opposed to both terror and to threats against any Arab state.

With so many countries taking a public stance on the issue, including those which have good relations with the US, it could prove difficult to contain the conflict if force is used against Libya. President Ronald Reagan is also aware of the potential risks to the estimated 1,500 Americans living in Libya.

Col Gadaffi, who appears to enjoy again being the centre of world attention, denied yesterday that he was sheltering terrorists but said anti-Israeli commandos were welcome to set up training camps in his country.

Speaking to US television networks, Col Gadaffi said that Abu Nidal did not live in Libya and challenged reporters to produce any evidence that the people responsible for the killings at Rome and Vienna

Continued on Page 14

Tin Council delegates to study latest market rescue plans

BY ANDREW GOWERS IN LONDON

DELEGATES to the International Tin Council (ITC) return from their Christmas break this week to consider fresh proposals for rescuing the tin market.

The package, put forward by a leading broker and banker involved in the tin crisis since the 22-nation ITC last met on December 20, has been greeted with interest by tin producing members and by the UK Government, which has been pressing for a settlement. But there has been little overt sign of a change of heart among key consuming countries such as France, West Germany and the Netherlands, which have so far blocked efforts to open negotiations with the Tin Council's creditor banks and brokers.

"To say that things are moving at all is putting a pretty strong face on the thing," said one key delegate last week.

ITC delegation leaders will meet tomorrow to assess the situation, ahead of a full meeting of the Tin Council next week. The delegation leaders are expected to set up a meeting with the proponents of the latest rescue plan, Mr Peter Graham, vice-chairman of Standard Chartered Bank, and Mr Ralph Kestenbaum, joint managing director of Gerald Metals.

The plan, put forward by the two men in their personal capacity without the prior backing of other banks and brokers, envisages setting up a new company to take over the 85,000 tonnes of tin stocks which the ITC is due to hold by the end of this month and selling them off gradually over the next three years.

The company would be owned by bankers and brokers, and would absolve the ITC's member governments of obligations to the Council in return for a commitment to meet its losses, which might total up to £200m ($284m).

Advocates of the plan argue that it has several advantages: it would put a cap on the amount governments would have to put up to solve the tin crisis; it would pave the way for an orderly winding down of the ITC stockpile; and it would put the banks and brokers in a much stronger position in that they would be dealing with a fully-capitalised company rather than a somewhat hastily-defined group of sovereign governments.

"This is the best offer around since the crisis began," said one delegate.

However it still has to pass the hurdle of opposition by some ITC members to any admission of liability for the Tin Council's debts.

There are suggestions among brokers of the London Metal Exchange – where tin trading has been suspended since the ITC ran out of money to support the price more than 10 weeks ago – that the extent of governmental contributions would be subject to negotiation – in line with the desire of some ITC members that bankers and brokers, who are owed hundreds of millions of pounds, should share its losses.

But bankers still seem adamantly opposed to this idea, on the grounds that cancelling debts for which the ITC contracted as an organisation of 22 sovereign governments would set an unacceptable precedent.

Mr Graham said last week that he had received some positive feedback on his plan from producers and from some smaller consumers, but there was no word from larger consuming countries.

Meanwhile, time is running out for the LME, the world's leading metals market. The exchange authorities have delayed a decision on whether to reopen tin trading until January 13. Mr Graham said that he hoped they might keep the market shut for a few days longer if there was a chance that negotiations with the ITC might get under way.

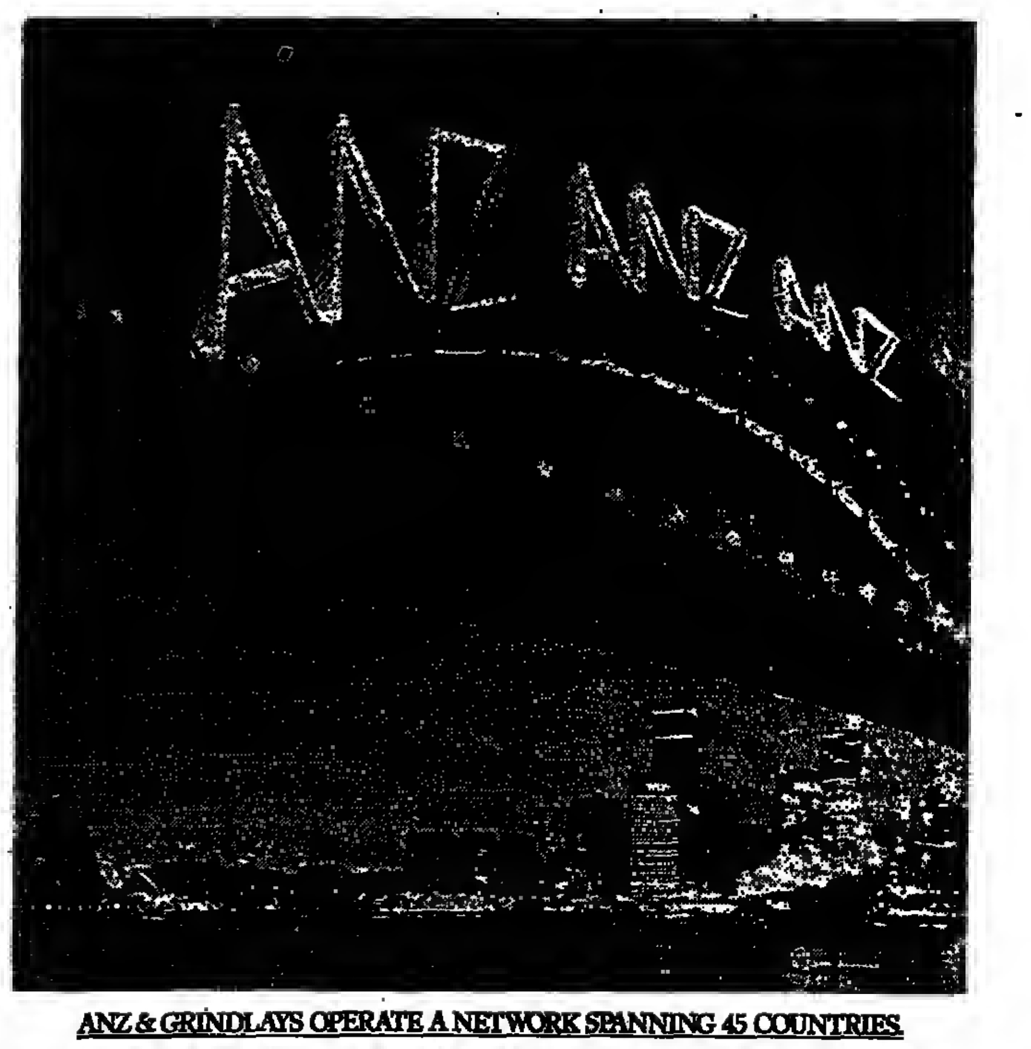
FT travel writer dies

ARTHUR Sandles, the Financial Times writer on travel and leisure, died suddenly yesterday while skiing in Switzerland. Mr Sandles, who joined the FT in 1961, was 50.

"He will be remembered as a most conscientious, objective, knowledgeable and witty travel writer who was much liked and respected by his associates," said Mr Erich Reich, managing director, Thomas Cook Holidays, yesterday. "He will be a great loss to those who care for the business of leisure and travel."

Mr Sandles was Travel Writer of the Year in 1984.

Mr Sandles will be sadly missed by Christine and his three daughters. Mr Geoffrey Owen, editor of the Financial Times, said: "Arthur Sandles was one of the FT's most able writers who made an outstanding contribution to the development of the paper over the past two decades. He had many friends here and he will be greatly missed." **Obituary, Page 6.**



ANZ & GRINDLAYS OPERATE A NETWORK SPANNING 45 COUNTRIES

The Australia & New Zealand Banking Group with its acquisition of the UK based Grindlays Bank, has established a formidable presence on the international banking scene with Group assets of over USD30 billion. An asset base that spans the globe with over 1,650 branches and offices in 45 countries.

This places the ANZ Group in the ideal position to assist corporations with their particular domestic and international finance requirements. The new Group's strength is drawn from its business base in most of the major regions of the globe and the growing diversity of its wide range of services.

ANZ and Grindlays. A force spanning the globe.

ANZ Banking Group. The new force in International Banking.

ANZ Banking Group Limited
55 Gracechurch Street, London EC3V 0BN
Tel: 01-280 3100, Tlx 8812741 ANZBANK G

Grindlays Bank plc
Minerva House, Montague Close, London SE1 9DH
Tel: 01-626 0545. Tlx 885043/5 GRNDLY G

BRANCHES AND OFFICES IN – AUSTRALIA • AUSTRIA • BAHAMAS • BAHRAIN • BANGLADESH • BRAZIL • CANADA • CAYMAN ISLANDS • CHANNEL ISLANDS • COLOMBIA • ENGLAND • FIJI • FRANCE • GERMANY • GHANA • GREECE • HONG KONG • INDIA • INDONESIA • IRAN • JAPAN • JORDAN • KENYA • REPUBLIC OF KOREA • MALAYSIA • MEXICO • MONACO • NEW ZEALAND • NIGERIA • OMAN • PAKISTAN • PAPUA NEW GUINEA • QATAR • SCOTLAND • SINGAPORE • SOLOMON ISLANDS • SPAIN • SRI LANKA • SWITZERLAND • TAIWAN • UGANDA • UNITED ARAB EMIRATES • UNITED STATES OF AMERICA • VANUATU • ZAIRE • ZAMBIA • ZIMBABWE

CONTENTS

International 2, 3
Companies 15, 16
World Trade 4
Britain 5, 6
Companies 18

Appointments 21
Arts – Reviews 11
World Guide 11
Crossword 21
Currencies 28
Editorial comment 12

Eurobonds 15, 16
Financial Futures 28
Intl. Capital Markets 15, 17
Letters 13
Lex 14
Lombard 13
Management 10
Men and Matters 12
Money Markets 28
Stock markets – Bourses 29
Wall St 26, 27
London 24, 25
Technology 9
Unit Trusts 21-23
Weather 14

US/Mexico: relations improve 14
Technology: isotope enrichment 9
Management: takeovers become each-way bet 10
World stock markets: Europe in spotlight 12

Britain: the number of homeless grows 13
Lombard: a job insurance guarantee fund 13
Lex: Westland helicopters; Wellcome 14
Survey: Communications in business .... Section III

Pakistan opposition tests Zia

By Mohammad Aftab in Islamabad

PAKISTAN'S main opposition party gave its first show of strength for more than eight-and-a-half years on Sunday, with rallies in dozens of Pakistani cities.

It was the first sign of opposition political activity since President Zia ul Haq lifted martial law on December 30.

Although the ban on political parties and rallies has continued since then, riot police did not intervene. They had said they would step in if violence occured, but none was reported.

The rallies were held by the Pakistan People's Party to commemorate the 58th birthday of its founder, Mr Zulfikar Ali Bhutto, the former Prime Minister executed by the military regime on murder conspiracy charges in April 1979.

The biggest gatherings took place in Rawalpindi, Karachi and Lahore.

In two meetings in Rawalpindi, crowds of about 3,000 heard Mr Tikka Khan, the party's secretary general and a minister of state security under Mr Bhutto, claim that President Zia, in spite of his claims to have lifted martial law, has merely put on "civilian dress."

He called for President Zia to resign his position as chief of the army staff, from which he derives his main powers.

Landmine blast kills two in Transvaal

BY ANTHONY ROBINSON IN CAPE TOWN

A WHITE farmer and his 32-year-old daughter-in-law were killed and two other passengers in their truck injured over the weekend when their vehicle detonated a mine planted on an isolated north-west Transvaal farm only three kilometres from the Botsawana border.

The explosion, the eighth such incident since November 27, took place some 250 kilometres from the farm near Messina on the border with Zimbabwe which killed six people and injured five on December 14.

The series of landmine explosions is believed to be part of a campaign by the military wing of the banned African National Congress (ANC) aimed at drawing the military into large-scale security operations in remote border areas and putting further pressure on the security forces.

They are already stretched by policing duties in the black townships and the war against Swapo guerrillas in Namibia.

Mr Oliver Tambo, the leader of the ANC in exile, is expected to spell out ANC strategy later this week when he is due to make a speech in Lusaka on the 74th anniversary of the founding of the Congress.

The continuing mine blasts, and other terrorist attacks on shopping precincts and strategic targets such as the Sasol oil-from-coal plants, have increased presure on the Government to take tough action against the ANC.

This has led both to pressure on Mrs Winnie Mandela, wife of the jailed ANC leader, Mr Nelson Mandela, and cross-border raids into the neighbouring countries of Lesotho and Swaziland, which are accused of harbouring ANC sympathisers.

Six months ago, the security forces also launched a lightning raid on alleged ANC safe houses in Gaberone, the Botswanan capital which has soured relations between the two countries and led to strong international condemnation.

The latest explosion is expected to lead to further pressure on Gaberone which, like other neighbouring states, is heavily dependent economically on South Africa.

All insist they are already doing all in their power to prevent their territories being used as infiltration routes or refuges for ANC guerrillas.

Meanwhile, police reported continuing violence over the weekend, with at least three blacks, including two women, burned to death with blazing rubber tyres, the classic execution method used on suspected informers, in the Cape.

Tension also remained high in the Moutse area of the Northern Transvaal where violent protests against the forcible incorporation of 120,000 Sotho-speaking people into the kwaNdebele homeland has cost over 20 lives in recent clashes.

Police reported that two private homes were set alight and vehicles damaged in kwaNdebele, and the Chief Minister yesterday warned journalists to stay away from the area.

The Government's insistence on going ahead with the forced incorporation of Moutse has been heavily criticised by opposition parties, civil rights organisations and the Institute of Race Relations.

Further tension is building up over the reported decision of the Department of Education and Training, which is responsible for black education, to insist that millions of black students must return to school on January 8.

The Education Department spokesman, Mr Joel Schoenman, told the black newspaper City Press that all black teachers and students must report for the official term opening of January, 8.

The decision appears to call into question the results of last week's black educational conference at Witwatersrand University where representatives of 161 black political and educational groups decided to call off the long-running boycott of black schools for three months.

The conference set a January 28 target for the reopening of schools, after negotiations which involved three Government ministries and consultation with leaders of the banned ANC.

The delayed opening date was called for in order to find alternative accommodation for students from schools damaged or destroyed during the boycott and to create new organisational structures for parents, teachers and students.

Crocker to reopen talks with Angola

RENEWED efforts to bring about the independence of Namibia are due to get under way this week when Dr Chester Crocker, the US Assistant Secretary of State for African Affairs, visits Luanda for talks with senior Angolan officials, writes Michael Holman in London and John Murray Brown in Khartoum.

Dr Crocker will first visit Khartoum, where he is expected today for talks with Sudan's military leader, General Swareddahab. Relations between the two countries have been strained by the apparent rapprochement with Libya following last April's coup against former President Jaffar Numeiri.

Dr Crocker's visit coincides with negotiations in Washington between Sudanese officials and the International Monetary Fund (IMF). The US, one of Sudan's largest donors, has pledged $50m to help Sudan pay off $220m is conditional, however, on arrears due to the Fund. It is conditional, however, on Sudan reaching agreement on terms for a new loan from the IMF.

Dr Crocker's visit to Luanda, scheduled for later this week, follows an earlier round of meetings with senior Angolan officials in the Zambian capital, Lusaka, last November.

Efforts to bring about Nambia's independence have been held up by South Africa's insistence, backed by Washington, that any withdrawal of Pretoria's troops from Namibia should be matched by the pull-out of an estimated 25,000 Cuban troops in Angola.

A sense of urgency has been brought to the latest initiative by moves in Washington towards material support for Unita, the guerrilla organisation seeking the overthrow of the Luanda Government.

Economic ties top agenda for visit of Nigerian minister

BY MICHAEL HOLMAN

PROFESSOR Bolaji Akinyemi, Nigeria's Minister for External Affairs, is due in London today for the first official visit by a Nigerian minister since the August coup brought General Ibrahim Babangida to power.

Top of the agenda for the minister's three-day programme which includes talks with Mrs Margaret Thatcher, the Prime Minister, Sir Geoffrey Howe, the Foreign Secretary, Mr Leon Brittan, Trade and Industry Secretary, and Treasury officials, is the delicate state of political and economic links with Britain's largest trading partner in black Africa.

Yet to be repaired is the damage done by the abortive attempt in London in July, 1984, to kidnap Mr Umaru Dikko, the former Nigerian transport minister who has been accused of corruption. In the angry aftermath both sides withdrew their High Commissioners and the posts have yet to be filled.

Last September a two-day visit by Sir Geoffrey Howe to Lagos failed to lead, as had been hoped in Whitehall, to a full restoration of diplomatic ties.

On the economic front, British creditors are frustrated by what they consider to be unnecessarily long delays in issuing promisory notes to cover uninsured trade arrears.

For their part, Nigerian Government officials believe that the allegations of malpractice at Johnson Matthey Bank involving contracts with Nigeria justify close and lengthy scrutiny of claims.

Many Nigerian officials also resent what they believe to have been the prominent role among western export credit agencies played by Britain's Export Credit Guarantee Department (ECGD). The department has insisted that insured trade arrears cannot be rescheduled without an agreement between Nigeria and the International Monetary Fund (IMF) for a $2.5bn loan from the Fund.

When in Lagos Sir Geoffrey made it clear that Britain believed that an agreement with the Fund was essential to Nigeria's economic recovery. Last week, however, Dr Kalu Kalu said that his Government would seek rescheduling of medium- and long-term debt without a Fund agreement.

In the country's New Year budget General Babangida said that no more than 30 per cent of the country's export earnings would be set aside for external servicing.

NOTICE OF REDEMPTION

To the Holders of

General Mills, Inc.

U.S. $100,000,000 12% Notes, Series A, due December 19, 1991

NOTICE IS HEREBY GIVEN to the holders of the outstanding 12% Notes, Series A, due December 19, 1991 (the "Notes") of General Mills, Inc. (the "Company") that, pursuant to the provisions of Section 7(a) of the Series A Fiscal and Paying Agency Agreement dated as of December 19, 1984 between the Company and Morgan Guaranty Trust Company of New York (the "Fiscal Agent") and Paragraph 4(a) of the Terms and Conditions of the Notes, the Company has elected to redeem on February 5, 1986 U.S. $15,700,000 principal amount of the Notes (the "Redemption Notes") at a redemption price equal to 101% of the principal amount thereof, together with accrued interest to said date, in the amount of U.S. $76.67 for each U.S. $5,000 principal amount and U.S. $153.33 for each U.S. $10,000 principal amount as follows:

OUTSTANDING NOTES OF $5,000 EACH BEARING THE FOLLOWING DISTINCTIVE NUMBERS:

1	350	665	982	1300	1657	2011	2317	2682	2980	3314	3639	3966	4293	4629	4944	5298	5635	6030	6364	6703	7058	7386
4	353	666	985	1302	1671	2013	2321	2686	2981	3318	3643	3969	4299	4631	4950	5300	5637	6037	6373	6722	7060	7388
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OUTSTANDING NOTES OF $10,000 EACH BEARING THE FOLLOWING DISTINCTIVE NUMBERS:

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Payment will be made, subject to applicable laws and regulations, in U.S. dollars on and after February 5, 1986 upon presentation and surrender of the Redemption Notes with coupons due December 19, 1986 and subsequent coupons attached, failing which, the amount of missing unmatured interest coupons will be deducted from the sum due for payment and paid in the manner set forth in the Terms and Conditions of the Notes against surrender of the related missing interest coupons within the period of time prescribed by the applicable statute of limitations, at the main offices of the Fiscal Agent in London, Brussels, Frankfurt am Main, Paris and Tokyo, the main office of Amsterdam-Rotterdam Bank N.V. in Amsterdam, the main office of Swiss Bank Corporation in Basle and the main office of Kredietbank S.A. Luxembourgeoise, in Luxembourg. Payments at said offices will be made by a United States dollar check drawn on a bank located in The City of New York, or by transfer to a dollar account maintained by the payee with a bank in London. No payment on any Bearer Note will be made at the Corporate Trust Office of the Fiscal Agent or any other Paying Agency maintained by the Company in the United States nor, except as otherwise permitted by U.S. Treasury Regulations without adverse tax consequences, will any payment be made by transfer to an account maintained by the payee in, or by mail to an address in, the United States.

From and after February 5, 1986, the Redemption Notes will no longer be outstanding and interest thereon shall cease to accrue. U.S. $43,775,000 principal amount of Notes will remain outstanding after the redemption.

It is suggested that each holder consult his own tax advisor concerning his particular tax situation.

Any payments made to an address in the United States, directly or by electronic transfer, may be subject to reporting to the United States Internal Revenue Service ("IRS") and to backup withholding of 20% of the gross proceeds if payees not recognized as exempt recipients fail to provide a Paying Agent with an executed IRS Form W-8 in the case of non-U.S. persons or an executed IRS Form W-9 in the case of U.S. persons.

Under the Interest and Dividend Tax Compliance Act of 1983, we may be required to withhold 20% of any gross payments made within the United States to certain holders who fail to provide a Paying Agent listed above, and certify under penalties of perjury, a correct taxpayer identification number (employer identification number or social security number, as appropriate), or an exemption certificate on or before the date the securities are presented for payment. Those holders who are required to provide their correct taxpayer identification number on IRS Form W-9 and who fail to do so may also be subject to a penalty of $50 imposed by the IRS. Please therefore provide the appropriate certification when presenting your securities for payment.

DATED: January 6, 1986

GENERAL MILLS, INC.

US high-tech company seeks 'fifth-generation' computer

BY DAVID FISHLOCK, SCIENCE EDITOR

AT LEAST one high-technology start-up company has no need to hustle for money. Microelectronics and Computer Technology Corporation (MCC), of Austin, Texas, has a guaranteed income of $50m for the current year, rising to $65m next year, for research at the leading edge of electronics.

MCC is America's answer to Japan's ambitious national programme in search of the "fifth-generation" computer. The first four are defined as computers based respectively on valves, transistors, integrated circuits and very large scale integration (VLSI). The big question is what will be the technological base of the fifth generation.

MCC is quite different from Japan's ICOT (Institute for New Generation Computing Technology) or Britain's Alvey programme. It is a club of 21 US high-technology companies that have agreed to fund a co-operative research programme without government help. Aided by some new legislation, MCC tiptoes gingerly through US anti-trust law. Just how narrow its margins may be is reflected in its own view that fear of anti-trust action is the main reason why IBM has not joined the club, even though it has a role in the Alvey programme.

But MCC's 21 shareholders include five other big computer groups: Control Data, Digital Equipment, Honeywell, NRC and Sperry. It also includes such high-technology groups as Bell Communication Research (Bellcore), part of the former Bell Laboratories, Boeing and Lockheed.

Indeed the club has attracted more members than Mr William Norris, its founder, expected when he began to alert US industry to the magnitude of the threat he believed was posed by ICOT in 1982.

"We are comfortable now with the number of companies. We are not recruiting," says Mr Bill Stotesbury, responsible for MCC's relations with government.

MCC's 21 members each have a single share in the company they own and manage collectively. This share entitles them to participate in any of its four research programmes. They must join at least one and share the cost equally with all other participants. Moreover, they make a commitment for three years ahead, and must give a year's notice of plans to withdraw, which confers great stability on research planning.

One widespread misconception, however, is that MCC is developing an American "supercomputer." That it strongly denies. It cannot under anti-trust law.

The company is developing the tools and techniques which might help its shareholders to develop their own supercomputers and other technologies.

Behind the security of reflecting black glass panels, its laboratory near Austin has mounted four research programmes, all conducted almost entirely in-house. They were the four programmes outlined in Mr Norris's original blueprint for pre-competitive research in electronics – research at a stage where no product or process is in sight.

Only long-range research of this kind, well ahead of prototype development, could satisfy US anti-trust law and inspire confident collaboration between commercial competitors, he concluded. Not until the Japanese began to demonstrate how effective pre-competitive research collaboration could be, in VLSI in the late-1970s, did the climate change to make it acceptable in the US.

The four programmes chosen as holding the greatest economic promise for shareholders are:

● Computer-aided design for VLSI. This is an attempt to create a system for the design and testing of integrated circuits having upwards of 1m devices a chip. The goal is to automate design to a degree where a team of professionals could create a new 1m-device chip in less than a month. It is an eight-year project.

● A seven-year project to design technologies which will substantially increase the productivity of large-scale software development, and the quality.

● A six-year project to advance the art of connecting and packaging chips with more than 1m devices, with emphasis on automatic assembly.

● A 10-year project in advanced computer architecture, aimed at very big leaps in computer performance, in data bases, in more efficient man-machine relations and in expert systems.

In order to succeed, MCC stresses a fifth scientific challenge; one which pervades all four other programmes. That is the efficient transfer of technology. It has already begun to experiment with different ways of packaging and transferring the technology.

The first technology transfers are likely to be made in 1986, in the form of software for computer-aided design.

Iranians help fight blaze on Maltese tanker

IRANIAN tugboats yesterday fought to extinguish the flames on the Maltese tanker Koncar after it was hit by an Iraqi missile south of the Kharg Island oil terminal, Gulf shipping officials reports, AP reports from Bahrain.

It was the second tanker to be attacked by Iraq in the vicinity of Kharg since January 1, without an accompanying Iraqi announcement of the raid, marine salvage executives in the region noted.

The 62,000-ton tanker was attacked by Iraqi warplanes as it was sailing southward after taking on a full load of Iranian crude oil from the terminal.

The London-based Lloyd's shipping intelligence unit reported that the attack took place 20 miles south of Kharg.

The crew abandoned the vessel but the captain, two seamen and the radio operator remained aboard to fight the flames.

FINANCIAL TIMES

Published by The Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors; F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter-Societäts-Druckerei-GmbH, Frankfurt/Main. Responsible editor: C.E.P. Smith, Frankfurt/Main, Guiollettstrasse 54, 6000 Frankfurt am Main 1. © The Financial Times Ltd, 1986. FINANCIAL TIMES, USPS No. 190640, published daily except Sundays and holidays. U.S. subscription rates $365.00 per annum. Second class postage paid at New York, N.Y. and at additional mailing offices. POSTMASTER: send address changes to FINANCIAL TIMES, 14 East 60th Street, New York, N.Y. 10022.

$150,000,000

The Washington Post Company

Eurocommercial Paper Programme

The undersigned arranged and has been appointed a dealer for this programme.

First Chicago Limited

Issuing and Paying Agent

FIRST CHICAGO

The First National Bank of Chicago

Marcos claims rebels use arms to back Aquino

PRESIDENT FERDINAND Marcos of the Philippines claimed yesterday that communist rebels were using arms to campaign for Mrs Corazoo Aquino, the oppositioo presidential candidate, and were threatening to wipe out rural villages if residents vote for him in the elections on February 7, AP reports from Taytay.

Mr Marcos, in a campaign speech to e fishing community on the shores of Laguna de Bay lake just outside Manila, did not specify, however, where the rebels allegedly were harassing voters or say who his sources were.

He repeated a charge that "our opponents helped organize the communists and enjoy the support of the New People's Army," the armed wing of the Communist Party.

"They say in the villages, 'we will be watching you and if we see that you have voted for Marcos, we will kill you all'," he said.

A crowd estimated by reporters at about 6,000 attended the rally in a plaza between e Roman Catholic church and the municipal hall of Taytay town on a windswept hill overlooking the lake, the country's largest inland body of water.

As in his previous campaign rallies Mr Marcos was preceded by popular singing stars and comedians who entertained the crowd. Although the people applauded the songs and laughed at the comedians' antics, they did not respond to cues from the master of ceremonies to chant "we are for Marcos."

They cheered and applauded Mr Marcos, however, when he announced the release of 300m pesos ($15.8m) for lending to fishermen living around the lake and more than 10m pesos for a road and flood-control project.

Explaining his decision to call the presidential election 16 months before his current six-year term expired, Mr Marcos said he wanted the question of his popularity settled amid criticism at home and abroad of his 20-year rule.

Meanwhile Mrs Aquino cut short her two-day campaign in Mr Marcos' central Philippine home region, flying back to Manila to attend to what campaign officials described only as a family emergency.

Fears grow that Colombian volcano may erupt again

COLOMBIA'S Nevado del Ruiz volcano rumbled loudly and spat ash yesterday, raising fears of an imminent eruption similar to the one that killed 23,000 people in November, Reuter reports from Bogota.

Mr Flavio Rodriguez secretary general of Tolima province said three tremors shook the bowels of the 5,400-metre volcano as the acrid smell of sulphur filled the air.

The government said an emergency declared yesterday, accompanied by the precautionary evacuation of about 7,000 people from low-lying areas under the volcano, would remain in force until further notice.

Mr Rodriguez, who also heads the provincial emergency committee, said the latest seismic activity melted parts of e glacier at the source of the Guali River whose waters rose at least 30 cm. Scientists monitoring the volcano say there is a serious risk of the huge ice cap melting and triggering avalanches like those which buried the town of Armero under mud on November 13.

Local officials reported initial panic among some residents but emphasised the voluntary evacuation—the first since the Armero disaster—took place with no incidents.

The volcano has been rumbling since November and fractures were reported last month in glaciers near the source of the Azufrado river. The evacuation advice affected all residents within 200 metres of five rivers, including the Azufrado.

The Government said last night the greatest threat was of mud avalanches and fresh floods. The emission of molten lava could not be ruled out but would affect an area of only six to seven km around the crater.

US films attacked for anti-Soviet attitudes

By Patrick Cockburn in Moscow

SOVIET officials have complained that American films portrayed individual Soviet citizens as "perfidious, insensitive and aggressive," creating an atmosphere of paranoia about the Soviet Union in the US.

Mr Georgy Ivanov, deputy Culture Minister, made his attack at a press conference to mark the reopening of cultural exchanges between the US and Soviet Union after a break of six years. The new accord on exchanges in literature, music and other arts was agreed at the Geneva summit by President Reagan and Mr Mikhail Gorbachev, the Soviet leader.

In some recent films a new type of American hero "kills reds and Russians not for money but with a kind of perverse relish," Mr Ivanov said, citing Rambo II and Red Dawn as films showing this attitude. He also attacked a plan by the US television network ABC to make a 16 hour long television series about the US, after it is devastated by ten years of Soviet occupation.

The hostility of popular American perceptions of the USSR has increasingly worried the Kremlin since Mr Mikhail Gorbachev became leader. Mr Ivanov said that a New York Times opinion poll showed that 44 per cent of Americans did not know that the Soviet Union and the US were allies in World War II and that 28 per cent of those polled believed that the two countries had fought on opposite sides.

Senior Soviet cultural officials, an elderly group in office for 30 years and so far untouched by Mr Gorbachev's purge of long-term administrators said yesterday that the Soviet Union was more willing than the US to acquaint its people with the culture of the other super power.

● A Soviet newspaper published a series of letters from readers yesterday calling on the state media to report more evenly and not to conceal natural disasters and other problems, Reuter reports.

Four letters from readers of the daily Sovietskaya Rossiya said too much attention was paid to achievements and not enough to problems facing the country.

FT writers profile the new Commissioners from Spain and Portugal

Spain dispatches a familiar face

BY DAVID WHITE IN MADRID

Spanish and Portuguese Commissioners receive portfolios at the first meeting of the Commission since Spain and Portugal joined the Community. (L to R) Mr Matutes, Mr Cardoso e Cunha, Commission President Jacques Delors and Mr Marin

"*Un buen chico*"—a good lad—is how Mr Manuel Marin, Spain's vice-president on the European Commission, has come to be regarded even by Spanish businessmen, and for a socialist it is quite a compliment.

The man who at 36 takes over from Ireland's Peter Sutherland took the Brussels post pretty much by right. For almost three years, he was Spain'e front man in the nitty-gritty of the final entry negotiations, as secretary of state for relations with the EEC.

In that job be won the title of "the briefcase man," respect for his tireless insistence and attention to fine detail, and a good deal of sympathy. By the time Spain and Portugal signed their accession treaties in Juna he was already marked down for the Commission job.

The social affairs, employment and education portfolio which he has been assigned is one in which Spain—with the Community's highest unemployment rate of close to 22 per cent—has a strong vested interest.

But Mr Marin knows the EEC well enough to have already taken care to establish his distance from the Madrid Government. He has taken positions, for instance on trade union privileges, that deviate noticeably from the party line.

Quiet, with a nervous habit of rubbing the side of his nose when be speaks, but a good communicator, Mr Marin with his tall, dark good looks adds a large dose of charm to his talent for driving a hard bargain.

When he became an MP for Ciudad Real, in his bome region of La Mancha, in 1977 he was the youngest member. He is now not only the Commission's youngest, bnt also the first to have graduated from the College of Europe in Bruges, where he went after getting a master's degree in Community law at the French university of Nancy.

Curiously, it was in Brussels that be joined the Spanish Socialist Party, when it was still an underground organisation, in 1975.

Mr Abel Matutes, the other Spaniard on the Commission, with a newly-invented job which covers credits, investments, financial operations and small and medium-sized companies, carries a slight stigma for not having been a first choice.

It was typical of Spanish politics that the Commission appointments should not go through without a prolonged controversy. Having argued strongly for getting two commissioners like the four biggest EEC members, Spain could not decide until lata in November, after a month-long deadlock, who should fill the second post.

By accepting the principle that the second nominee should come from the main opposition party, the conservative Popular Alliance, Spain excinded most of the obvious non-socialist candidates, those who were directly involved in earlier stages of the negotiations, and who belong to centre parties.

The first list of three names submitted by Mr Manuel Fraga, the Popular Alliance leader, smacked too mnch of the Franco regime to be acceptable to the Government.

Mr Matutes, 44, the party's top spokesman on the economy, was not contacted abont the job until a week before his appointment, which came as a surprise. Since then, be has had to learn rapidly about the Community and its institutions

However, Mr Matutes' lack of international experience is offset by his business background. Coming from a banking family, Mr Matutes built up e tourism and property empire during the later Franco years in Ibiza, where he is known as the "master of the islands." He has degrees in both law and economics and a couple of seasons to his credit at the Barcelona soccer club Espanol.

Portugal champion braced for the challenge

BY DIANA SMITH IN LISBON

PORTUGAL'S first EEC Commissioner, Mr Antonio Cardoso e Cunha, is used to challenge, but he may find that the distance between cattle ranching in Angola and fishing negotiations in Brussels is as great in spirit as in miles.

An industrial engineer by training the 53-year-old native of Lisbon brings long experience as an entrepreneur, technician and politician to one of the EEC's most exacting areas, where his country has a vital interest.

Portugal, the reluctant host for 14 years of the powerful Spanish fishing fleet, now relies on the Common Fisheries Policy to regulate Spanish access to its waters with a tight licensing system, to modernise its dilapidated fishing fleet and to ensure fair access for Portuguese vessels to Community waters.

Mr Cardoso e Cunha may suffer initially from his innocence of the workings of the EEC machinery. His nomination by the three-month-old government of Professor Anibal Cavaco Silva came very late, but his record indicates an ability to adjust quickly.

After returning from Angola, where he left behind lucrative businesses and ranching, be eerved between 1978 and 1981 in three governments — as Foreign Trade Secretary, Industry Secretary and, in 1980-81, as a plain-speaking Minister of Agriculture and Fisheries.

He recently set up one of Portugal's most successful new agricultural ventures, the Cruz do Campo project, producing mushrooms and upmarket fruit and vegetables. The project was designed with an eye to export to lucrative EEC markets and is jointly owned by thousands of investors who once had shares in Angolan diamond mines nationalised after decolonisation in 1975.

Shortly before he left for Brussels to take up his new post Mr Cardoso e Cunha, with characteristic bluntness, said Portugal's European venture is the means of breaking with "degrading, unjust economic, cultural and social devaluation" which marked his country's recent past.

Tan boosts Malaysian Chinese party role

By Wong Sulong in Kuala Lumpur

MR TAN KOON SWAN, the beleaguered entrepreneur and politician, has consolidated his position as leader of the Malaysian Chinese Association (MCA) the largest Chinese political party, following a Cabinet reshuffle over the weekend. Three of his supporters have joined its ranks.

Mr Tan, 46, won the presidency of the MCA last November after a protracted and bitter power struggle and the Cabinet changes were made to reflect the new MCA leadership line-up.

As expected, Mr Tan himself did not take a ministerial position partly because he wanted to devote more time to strengthening the MCA, and partly because of business problems arising from his involvement in Pan Electric Industries, the Singapore marine and engineering group now under receivership.

The new ministers are Dr Ling Liong Sik, deputy MCA president, who is given the transport portfolio; Mr Lee Kim Sai is Labour Minister, and Mr Chan Siang Sun takes over housing and local government.

Mr Mak Hon Kam, an opponent of Mr Tan, was retained but transferred from the Labour Ministry to Health. His retention in the Cabinet is seen as part of Mr Tan's plan to heal the party's wounds.

Apart from the MCA Cabinet position, there were no changes affecting ministers from other parties of Dr Mohamed Mahathir's National Front Coalition Government. Mr Tan's most immediate problem is to raise S$8m (£2.5m) by tomorrow as part of S$20m which he had to inject into Pan Electric to keep the company afloat to allow a long-term rescue plan to be worked out.

He had also agreed to take on personally S$140m-worth of forward share purchase contracts from Pan Electric and had secured consent from most brokers to roll these over for another six months.

Mr Tan's close associates say if he is able to settle his financial obligations and rationalise his business interests, he is likely to join the Cabinet.

Phillips & Drew (Trading) Ltd

Phillips & Drew are pleased to announce that they are now able to offer a market making service in the following stocks through their International Dealer operation:

AUSTRALIA
*ANZ Banking Corp
Ashton Mining
*BHP
Central Norseman
*CRA
*CSR
GMK
*MIMS
*National Aust Bank
News Corp
*Pan Continental
*Peko Wallsend
*Santos
*Western Mining
*Westpac

Contact:
John Turner
John Collier
01-726 6932

GERMANY
*BASF
*Bayer
*BMW
*Commerzbank
*Deutsche Bank
*Dresdner Bank
*Daimler Benz
*Hoechst
*Mannesmann
*Siemens
*Veba
*Volkswagen

Contact:
Colin Spicer
Laurence Gant
01-628 9336/9337

HOLLAND
Aegon
*AKZO
Gist Brocades
Heineken
*KLM
Oce-Van Der Grinten
*Philips
Robeco
*Royal Dutch
*Unilever
VNU

Contact:
Paul Deslandes
01-588 5381/5372

HONG KONG
*Cheung Kong
*China Light & Power
*Hong Kong Electric
*Hong Kong Land
*Hong Kong & Shanghai Bank
*Hong Kong Wharf
*Hutchison Whampoa
*Jardine Matheson
*Swire Pacific

Contact:
John Turner
John Collier
01-726 6932

SWITZERLAND
Adia SA
Brown Boverie CIE
*Ciba Geigy
*Credit Suisse
Hoffman La Roche
Jacobs Suchard
*Nestlé
Sandoz
*Swiss Bank Corporation
Swiss Reinsurance
*Swissair
*Union Bank of Switzerland
Winterthur
Zurich Insurance

Contact:
Paul Deslandes
Colin Spicer
01-588 5381/5372

*Now on the SEAQ system, our mnemonic is PDT.

Alternative Lines: STX 4094/5117, 01-628 4444 x 2337/2438/2450

Phillips & Drew (Trading) Ltd is a wholly owned subsidiary of Phillips & Drew

WORLD TRADE NEWS

VW seeks share in Soviet project

BY JOHN DAVIES IN FRANKFURT

WEST GERMANY, which is vying with other Western nations for increased business in the Soviet Union, is hoping to play an important role in a big Soviet motor vehicle project.

This is one of several large-scale Soviet investment projects being viewed with intense interest by West German industrialists and politicians.

Volkswagen, the car manufacturer, has been negotiating with the Russians since last spring about assembly of engines near Moscow for use in a new model Soviet car.

The company said yesterday that talks were still in progress and declined to give the nature or value of any possible deal.

VW, which is 20 per cent owned by the Federal Government and 20 per cent by the state of Lower Saxony, does not consider a decision or contract to be imminent.

Other companies interested in aspects of the Soviet motor vehicle project are Salzgitter, the federal government-owned steel and manufacturing group, and Liebherr, the construction equipment and engineering concern which has long-standing business links with the Russians.

VW has already signed agreements for large-scale assembly of engines in East Germany and China.

There has been much speculation in West Germany lately that Uhde, the process plant subsidiary of the Hoechst chemical concern, is well placed —in competition with UK and Japanese companies—to build a multi-billion-dollar polyester complex in the Soviet Union.

In view of the large volume of business available under the Russians' 1986-1990 plan, Bonn is anxious to see West German companies secure a sizeable share, despite Chancellor Helmut Kohl's backing for the US Strategic Defence Initiative (star wars) project.

The Bonn government can, therefore, be expected to make as much local political capital as possible out of any deals with the Russians.

● Hungary is offering tax benefits, cheap labour and some customs facilities to attract foreign know-how and capital in joint ventures with Hungarian partners, AP reports from Budapest.

Hungary's Deputy Finance Minister, Mr Peter Medgyessy, said the profit tax would be halved if 50 per cent of the profit were reinvested in Hungary, and the tax would be reduced to a quarter if all the earnings were put back into enterprise.

Joint-venture production of electronic devices, farm machinery, pharmaceuticals, some chemical goods and the establishment of tourist facilities would be tax-exempt.

French in talks on helicopters for Hungary

By Paul Betts in Paris

AEROSPATIALE, the French state aerospace group, is in advanced negotiations with Hungary to sell the East European country up to 75 Ecureuil helicopters over 10 years in a deal worth at least FFr 300m (£29m).

The French company is competing with McDonnell Douglas of the US for the Hungarian order which would represent an important boost at a time when the helicopter market is depressed.

But Hungary is understood to be insisting that there is no cash payment for the helicopters. In exchange, Hungary would trade consumer goods, including textiles, for the helicopters.

In an effort to improve Aerospatiale's chances, General Jacques Mitterrand, the brother of President Francois Mitterrand and the former chairman of the French state aerospace group, recently visited Budapest.

Aerospatiale officials confirmed the advanced state of negotiations with Hungary. A decision was due to be taken by the end of this month on the contract but the French officials suggested it was now likely to take longer.

The French group has several co-operation agreements involving helicopters with East European countries, including Romania and Yugoslavia. The Hungarian sale is expected to involve helicopters mainly for crop spraying and other civil uses.

Foreign companies in protest at Pakistan countertrade plan

BY MOHAMED AFTAB IN ISLAMABAD

PAKISTAN'S plan to commission three foreign companies to undertake some $1bn (£714m) in countertrade business is looking uncertain following protests by 40 other companies seeking a share in the business.

The controversy arose after the Ministry of Commerce's recent decision to assign three trading companies—Sukab of Sweden, Marco of Switzerland and Mitsubishi of Japan—to arrange the export through countertrade of $500m in Pakistani goods, with a further $500m to be imported in compensation.

Other companies seeking a slice of the business protested and this has resulted in an intervention by the Prime Minister, Mr Mohammad Khan Junejo.

Mr Junejo has asked the Commerce Department to report on how the three companies were selected and to develop new criteria for selecting companies undertaking countertrade on behalf of the Government.

The Prime Minister's intervention has left the countertrade programme in a state of uncertainty. One official said that the letters of understanding between the Commerce Department and the three companies "were tentative." He added: "Regular contracts have yet to be signed."

At the centre of the problem is Pakistan's worsening export performance, involving such staples as raw cotton, hides and skins, leather, engineering goods, minerals, fruit and vegetables, surplus steel and rugs and carpets.

The Government ultimately wants to see some $1bn of its exports handled through countertrade by multinationals, with a further $1bn in imports handled by the same companies. Pakistan's annual exports are worth $2.5bn, far less than its import bill of $6bn.

Tea, edible oil, crude oil and oil products and fertiliser as well as several other items would figure in Pakistan's import needs under the plan.

There is also concern that the allocation of much of Pakistan's exports to countertrade will disrupt conventional trading patterns and may result in too-high prices being paid for imported goods.

Some Karachi businessmen are saying that prices for imports will be 10 per cent higher under the Commerce Department plan compared with cash deals. They cite a recent deal under negotiation to import Malaysian palm oil. If the goods were acquired through countertrade, they would cost $430-$435 a tonne compared with $380 a tonne for cash with delivery this month.

It is Government practice to allow a premium of up to 5 per cent on bartered imports from the centralised economies. The premium is offered to attract barter exporters so that they can accept rupees in part payment, but officials admit that countertrade prices could be as much as 15 per cent higher than those for cash deals.

Pakistan imports goods worth $400m-$450m a year under barter from socialist countries, and a similar amount is exported. With a switch to a more broadly based countertrade system, these markets will dry up and pose a problem if Pakistan, in the event of the failure of the experiment with multinationals, tries to regain them.

Snamprogetti wins Siberia smelter order

By Alan Friedman in Milan

SNAMPROGETTI, the plant engineering subsidiary of Italy's ENI state energy group, has won a $60m (£42.8m) contract to build in the Soviet Union what it claims will be the world's largest and most automated electrolytic zinc smelter.

The plant will produce 200,000 tonnes a year of refined zinc at a site at Seliabinsk in western Siberia. Completion is expected by 1989.

Snamprogetti has signed the contract with Licensintorg, a Soviet Agency acting on behalf of the Ministry of Non-Ferrous Metallurgy.

The zinc refining process is to be licensed from Samin, another subsidiary of Italy's ENI group. Samin specialises in the mining and processing of non-ferrous ores and in developing related technologies.

The process to be used at the Soviet plant is to be based on a technology which involves computer-controlled production and automated handling of jumbo cathodes.

China and West Germany in joint rail freight venture

BY JOHN DAVIES IN FRANKFURT

CHINA AND West Germany have set up a joint venture company to promote the use of the trans-Siberian railway for freight.

The project reflects efforts being made by the Chinese and international trading partners to build up freight services in an organised way.

The joint venture has brought together Sinotrans, the Chinese freight group, and Schenker, the freight forwarding subsidiary of the Bundesbahn, the West German government-owned railways. They have set up a company called Sinotrans Schenker, with total capital of DM 300,000 and with an office in Hamburg.

Schenker, which had sales revenue of DM 6.8bn (£1.7bn) in 1984, is active worldwide in all kinds of freight forwarding, but the joint venture with the Chinese will be limited to trans-Siberian rail transportation.

Initially, the venture will be concerned with West German container trade, but it is intended to widen the area of business to other European trading partners of China.

Last year, Schenker organised the despatch of 5,000 containers of freight between West Germany and China via the trans-Siberian railway and the volume is expected to increase this year.

The joint venture company will market the concept of trans-Siberian rail freight and co-ordinate this section of the business. But Schenker and its Chinese counterparts will be responsible for handling traffic within their own countries.

Schenker claims that trans-Siberian freight is competitive with sea freight.

Meanwhile, Kühne & Nagel, the West German freight forwarding company, is increasing its staff in China to back up its air freight business.

Under an agreement with the Chinese, Kühne & Nagel handles consolidated air freight shipments bound for China.

But the company believes it will take the Chinese authorities several years to iron out "weak spots" hampering the country's handling of air freight. As a result, the company is expanding its Peking office and setting up another base in Shanghai to help improve cargo handling.

With the growth of China-bound air tonnage from West Germany, bottlenecks have developed, the company says. One problem has been the limited cargo space in international carriers, although this has improved since the middle of last year.

To overcome transit delays at Peking airport, Kühne & Nagel has increasingly diverted freight to Hong Kong for further despatch to some Chinese cities, including Canton, Hangchow and Tientsin.

Peking and Shanghai are tight spots in the movement of cargo, according to the company. "Their infrastructure leaves much to be desired in comparison with air freight hubs elsewhere," said Mr Wolf-Dietrich von Helldorff, a Kühne & Nagel executive in Frankfurt.

SHIPPING REPORT

World shipping faces flat year

BY ANDREW FISHER, SHIPPING CORRESPONDENT

STARRY-EYED optimists are few and far between in world shipping after markets have been bumped uncomfortably back to reality in the past year or so.

Thus, 1986 looks like being a sober year. Ships are now being valued at levels related to recent low building costs rather than the inflated levels of the early 1980s, Matheson (Chartering) remarked in its end-year review.

In 1981, a new Panamax ship (60-80,000 deadweight tons and able to use the Panama Canal) could cost $25m. But last year, with shipyards' increased efficiency and desperation to win business, the price for a more fuel-efficient vessel was $10m.

Matheson welcomed the changes in valuation. "This greater willingness to face painful facts is a healthy sign, especially as it is usually combined with a much greater awareness of the need to cut costs and increase operating efficiency."

Banks, too, should now be more sconscious of the need to relate ships' values to current building costs and be more selective in their choice of risks.

Certainly, the New Year did not get off to a brilliant start in most markets. Denholm Coates, the UK shipbroker, said prospects for the early part of 1986 looked bad, though the usual seasonal upturn of April-May could help rates.

R. S. Platou, the Norwegian shipbroking firm, said world shipbuilding order books were at their lowest level since 1978.

TRADE STATISTICS

World Economic Indicators

		Nov. 85	Oct. 85	Sept. 85	Nov. 84
UK £bn	Exports	6.299	6.317	6.098	6.450
	Imports	6.440	6.317	6.297	6.602
	Balance	−0.141	0	−0.199	−0.152
US $bn	Exports	17.976	17.368	17.732	18.395
	Imports	30.285	27.594	31.764	27.331
	Balance	−12.309	−10.226	−14.032	−8.936
		Oct. 85	Sept. 85	Aug. 85	Oct. 84
Japan $bn	Exports	15.818	14.510	14.523	14.495
	Imports	11.613	10.133	9.698	10.254
	Balance	+4.405	+4.377	+4.825	+4.221
France FrFbn	Exports	78.18	76.72	74.90	73.80
	Imports	77.20	79.33	74.90	77.19
	Balance	+0.98	−2.61	+0.04	−3.39
W. Germany DMbn	Exports	44.63	44.35	44.73	43.35
	Imports	38.53	37.48	39.60	37.02
	Balance	+6.10	+6.87	+5.13	+6.33

Dutch leader in call to US on fibre row

MR RUUD LUBBERS, the Dutch Prime Minister, has written to President Ronald Reagan of the US expressing concern about US-Dutch trade relations because of a row between two major chemical companies, agencies report.

Enka, a subsidiary of Akzo NV, is locked in a long-running battle with Du Pont of the US over rights to market a super-strong fibre used in 'bullet-proof vests, climbing rope, aerospace and defence work.

On November 25, the US International Trade Commission (ITC) banned Enka from selling its new "Twaron" aramide fibre in the US before 1990, on the grounds that it would seriously affect sales of Du Pont's similar "Kevlar" fibre.

A Dutch appeal court last week upheld an earlier ban on Du Pont marketing Kevlar in the Netherlands, saying Du Pont had disregarded a patent held by Enka on the process used in making the fibres.

The Dutch Government is backing Enka's appeal through the European Commission against the ITC decision.

If the Commission upholds the complaint, it could recommend trade sanctions by its member-states against the US. Its decision is not expected until January 25.

A Dutch Government spokesman declined to say when Mr Lubbers' letter had been sent, or if the Dutch Prime Minister had asked President Reagan to overrule the ITC decision.

O'Neill predicts tough trade Bill this year

MR THOMAS O'NEILL, speaker of the US House of Representatives, has predicted that Congress would pass legislation this year to force America's trading partners to open their markets to US goods, Reuter reports from Washington.

"I predict that in 1986 the House of Representatives will act on legislation that forces our trading partners to open their markets to American goods and that sets tough sanctions on countries that use unfair trade practices to run up exorbitant trade surpluses," Mr O'Neill said.

He added that a Bill that would impose a 25 per cent tax on imports from countries with big surpluses in their trade with the US would be "an excellent starting point for such (trade) action." America's trade deficit, he added, was running at a record $145bn — $50bn of that with Japan.

Mr O'Neill also noted that the effect of the trade deficit on US industries had been exacerbated by a growing federal budget deficit. He called on the Administration to adopt policies to cut the deficit

Gibraltar go-ahead for tourist projects

GIBRALTAR has given the go-ahead for major development projects to boost the colony's tourist industry, Joe Garcia writes from Gibraltar.

Taylor Woodrow International has been awarded a prime site on the western seafront for a £30m development incorporating a casino in a five-star hotel with conference and banqueting facilities. There will also be a 350-berth yacht marina.

The development is scheduled to begin in July 1987.

This announcement appears as a matter of record only.

The Washington Post Company

$150,000,000
Euro-Commercial Paper Program

The undersigned will act as a dealer.
Chase Manhattan Limited
January 1986

Chase Investment Bank

Why aren't foreign banks making money in Japan?
Get the answer to that question and much more in

get 3 pre-launch issues Free!

NIPPON FINANCE

The semimonthly newsletter that keeps you on top of the Japanese financial world. Direct from Tokyo, get in-depth, independent and incisive analyses of all facets of Japanese financial activities including:

- Decision-making processes
- Market trends
- Institutions and key players
- Unwritten policies, rules and regulations
- The cost of money
- Future effects of deregulation

Expand your international business by subscribing now!

(First issue comes out in January 1986)
Annual Price (24 issues): ¥200,000 or US$850

☐ I want to know more about Nippon Finance. Please send me more information and three pre-launch issues free of charge.
☐ Please enter my subscription from ______ for one year.
☐ Please bill my company.
☐ Please bill me.
☐ My check is enclosed.

NAME (Please print)
TITLE
COMPANY
ADDRESS
CITY/STATE/ZIP/COUNTRY
SIGNATURE

NIPPON FINANCE
a publication of InfoPlus Inc., 14-13-105, Azabudai, Minato-ku, Tokyo 106, Japan Tel: (03) 505-4537 Fax: (03) 589-3922 Tlx: J34715

NIPPON FINANCE NF

Contracts & Tenders

Kenya Airways

TENDER FOR ADVERTISING

TENDERS ARE INVITED FROM ADVERTISING AGENCIES TO UNDERTAKE:

(a) Media advertising in Kenya and overseas locations;

(b) Production of display materials for use in Kenya and abroad;

(c) Production and/or design work for give-away and promotional items which may be produced locally or overseas; and

(d) Production and/or design materials for use during special events, promotions or exhibitions.

Tender documents may be obtained from the Company Secretary, Kenya Airways, PO Box 19002, Nairobi. Tenders in plain sealed envelopes marked "Confidential Tender for Advertising" without further indication of the contents should be addressed to The Company Secretary, Kenya Airways, PO Box 19002, Nairobi, or delivered to the Tender Box in the Company Secretary's Office, 3rd Floor, Kenya Airways Headquarters Building, Embakasi, Nairobi, so as to reach him by noon GMT on 20 January 1986.

Kenya Airways shall not be bound to accept the lowest or any Tender.

K. S. BHULLAR
Company Secretary

Kenya Airways

TENDER NOTICE

RENEWAL OF THE INSURANCE COVERS FOR 1986/87

Tenders are invited for aviation and non-aviation policies and medical insurance scheme for a period 1 April 1986 to 31 March 1987. Tender documents are obtained from the Company Secretary, Kenya Airways, P.O. Box 19002, Nairobi. Tenders in plain sealed envelopes marked "Confidential tender for renewal of insurance covers 1986/87" without further indication of the contents, should be addressed to The Company Secretary, Kenya Airways, PO Box 19002, Nairobi, or delivered to the Tender Box in Company Secretary's Office, 3rd Floor, Headquarters Building, Embakasi, Nairobi, so as to reach him by noon GMT on 20 January 1986.
Kenya Airways shall not be bound to accept the lowest or any Tender.

K. S. BHULLAR
Company Secretary

Company Notices

KUBOTA LIMITED
European Depositary Receipts issued by Morgan Guaranty Trust Company of New York

A distribution of ¥0.3712 per depositary share less any applicable taxes will be payable on and after December 16, 1985 upon presentation of coupon No. 36 at any of the following offices:
MORGAN GUARANTY TRUST COMPANY OF NEW YORK AT:
—New York, 30 West Broadway
—London, 1 Angel Court
—Brussels, 35 avenue des Arts
—Paris, 14 Place Vendôme
—Frankfurt, 46 Mainzer Landstrasse
KREDIETBANK SA LUXEMBOURGEOISE
—43 Boulevard Royal, Luxembourg
Net rate: 0.3155 (after deduction of 15% Japanese withholding tax) 0.2970 (after deduction of 20% Japanese withholding tax)

MITSUBISHI ELECTRIC CORPORATION
Bearer Depositary Receipts issued by Morgan Guaranty Trust Company of New York

A distribution of ¥1.8800 per depositary share less any applicable taxes will be payable on and after December 23, 1985 upon presentation of coupon No. 30 at any of the following offices:
Morgan Guaranty Trust Company of New York at:
—New York, 30 West Broadway
—London, 1 Angel Court
—Brussels, 35 avenue des Arts
—Paris, 14 Place Vendôme
—Frankfurt, 46 Mainzer Landstrasse
Credit Industriel d'Alsace et de Lorraine
—Grand 'Rue 103, Luxembourg
Net rate: 1.598 (after deduction of 15% Japanese withholding tax) 1.507 (after deduction of 20% Japanese withholding tax).

ASAHI CHEMICAL INDUSTRY LTD.
International Depositary Receipts issued by Morgan Guaranty Trust Company of New York

A distribution of ¥0.2846 per Depositary share less any applicable taxes will be paid on and after December 13, 1985 upon presentation of coupon No. 24 at any of the following offices:
Morgan Guaranty Trust Company of New York
—New York, 30 West Broadway
—London, 1 Angel Court
—Brussels, 35 avenue des Arts
—Paris, 14 Place Vendôme
—Frankfurt, 46 Mainzer Landstrasse
Banque Generale du Luxembourg
—14 rue Aldringen, Luxembourg
Net rate: 0.2419 (after deduction of 15% Japanese withholding tax) 0.2277 (after deduction of 20% Japanese withholding tax).

NOTICE TO BONDHOLDERS
PIRELLI UK INTERNATIONAL FINANCE B.V.
7.5% £40,000,000 Bond Issue

a) Bondholders are hereby informed that following the issue in August 1985, of Pirelli SpA [illegible] per cent Bonds Convertible into Pirelli SpA Ordinary Shares and due to the effect of antidilution clause, [illegible] September 4th, 1985 — the following: [illegible]

b) Issue of Pirelli SpA Saving Shares resolved upon on November 8th, 1985. No adjustment in subscription price has resulted from the issue of Pirelli SpA Saving Shares in November 1985.

UK NEWS

Tony Jackson on US drug groups' protests at the cuts in NHS business

Robins to sell British plant

A. H. ROBINS, the troubled US pharmaceuticals group, is to abandon drug manufacture in tha UK.

Its manufacturing plant at Horsham in Surrey, completed in September 1984 at a cost of £9m, is to be sold for an undisclosed sum to Glaxo, the British drug company.

Robins' UK subsidiary assigns the blame entirely to the UK Government. The limited list of drugs available for prescription through the National Health Service (NHS), which was introduced in April last year, removed almost half its NHS business, Robins said.

Sales of products excluded from prescription under the new system – a combined antihistamine and decongestant called Dimotapp, a number of cough remedies, an antacid, some vitamin preparations and an analgesic – made up about £4m of Robins' UK sales of £12.5m last year.

Robins is something of a special case. Its US parent is seeking protection from its creditors as a result of lawsuits over its intra-uterine contraceptive, the Dalkon Shield.

The Horsham plant was Robins' largest manufacturing investment outside the US. At the plant's dedication ceremony in September 1984 – attended by Mr Norman Fowler, the UK Social Services Secretary – the company spoke optimistically of basing a European research and development centre on the same site.

Thet project has now been shelved. "The limited list has had a particularly dramatic effect on us, but we're unhappy about the Government'a general attitude to drug company investment in this country," Robins says.

A number of other US drug companies with operations in Britain evidently agree, Warner Lambert, maker of the excluded cough mixture Benylin, announced a month ago that it was to close its factory at Eastleigh in Hampshire with tha loss of 400 jobs and concentrate manufacture at its other factory at Pontypool in South Wales.

The company, which had lost NHS sales of Benylin worth close to £5m, made it clear the investment required for relocation in Wales rested heavily on financial help from the Welsh Office. Otherwise, production would have been shifted to the European continent.

Another US company, Lilly, shares that attitude. "From now on," Lilly says, "any new manufacturing process will go to Europe if the economics are equal. In the past few months one animal health project which should have gone to our Liverpool plant has gone to Italy. Another very big biotechnology project which would normally be considered for Liverpool is now being very seriously considered for Ireland."

Lilly is luckier than some companies in that its main excluded product, Distalgesic, with sales of some £10m, can still be prescribed on the NHS as a generic drug at a lower price. "But that's quite unacceptable to our US management," Lilly UK says. "It'a an extreme case of intellectual property being expropriated."

Unlike some foreign drug companies, Lilly does a significant amount of research in the UK. Its UK research and development (R&D) establishment employs more than 300 staff and is by far the company's biggest outside the US.

"We had been steadily increasing our UK R&D expenditure over the past six years," Lilly said. "Now we've told the Government that we're cutting our investment right back. Wa won't be making any major new investments, though we will maintain the establishment.

"R&D is a very long-term investment and you have to keep an eye on continuity. But with manufacturing, which more often consists of discrete projects, the effect is bound to be more immediate."

Another US company which takes that view is Pfizer, which claims to have cancelled production projects at Sandwich, Kent, worth £15m-£20m. Pfizer has been scarcely affected by the limited list. "But the list certainly added to the lack of confidence in the industry," Pfizer said.

Wyeth, a subsidiary of American Home Products of the US, has cut 250 jobs at manufacturing sites in the UK. Like Lilly, Wyeth has found that its chief products, benzodiazepine tranquilisers, can now be prescribed only as lower-priced generic drugs.

Tha change has affected half of Wyeth's £24m UK turnover. Wyeth has also decided to cancel a planned R&D investment worth £30m at Swindon, Wiltshire.

There is a case for treating the claims of all these companies with caution. The high quality and relative cheapness of British researchers still gives the UK considerable attractions as a research base. Since the introduction of the limited list, one US company, Damon Biotech, has announced plans for a £30m biotechnology plant in Scotland. Upjohn of the US is considering a research plant in Scotland costing up to $50m.

On the other hand, both projects would rely heavily on finance from the Scottish Development Agency. Taken with Warner Lambert's relocation to Pontypool, this suggests that the UK's present attractions as a home to international drug companies might depend on government cutbacks being made good financially at the local level.

Besides the limited list, the industry is aggrieved over the basic level of remuneration now granted under tha NHS. The annual discussions over profit levels for the coming year will be taking place in the next few weeks. The industry is optimistic that after several years of reduced profitability the Government will change direction.

Although haggling over NHS pricing is a familiar process for tha industry, the limited list is another matter. The delisting of established products is regarded as a breach of trust and tha abrupt and unilateral way in which tha system was introduced was evidently unnerving.

Data base shows industrial aid in EEC

BY MARK MEREDITH, SCOTTISH CORRESPONDENT

DETAILS of government industrial aid schemes throughout the European Community are available on a computerised data base to be launched this week.

Private companies will be able to use their own computers to interrogate a computer based at the University of Strathclyde, Glasgow. About 600 schemes in 10 EEC member countries are covered.

Assistance availabla in the Community's new members, Spain and Portugal, will be added later.

The project, called Euroloc, is the result of three years of preparation by the Centre for the Study of Public Policy at Strathclyde.

Companies considering a new location in Europe will be able to compare government financial assistance packages and note individual qualifications and conditions such as the duration of financial assistance, location restrictions, aid destined for particular industries and the amount of assistance available.

The Glasgow data base, part of the university's VAX computer, is menu-driven, which makes cross-references and interrogations simple for subscribers.

Targets for aid are classified according to problem areas, research and development, small business development, aid for specific industrial sectors, structural adaptation for companies in difficulties, grants and assistance for employment and training, energy-related projects, environmental protection and export promotion.

Also available are statistics on EEC member countries' economies which can be interrogated and compared. The data base has over 3,500 pages of information.

The project is led by Professor Kevin Allen and Mr Douglas Yuill, senior research fellow at the Centre for Policy Studies.

The data base has been partly financed by the European Commission's information technology directorate but is designed to be self-financing, based on subscription.

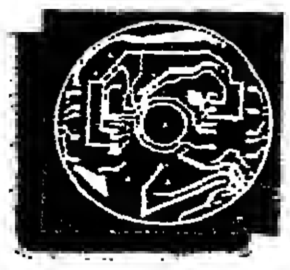
Euroloc aims to provide information rather than to assess the merits of various types of government assistance. The data base covers only national assistance and does not include aid available from local authorities in each country.

The data has been assemblied from information sent in by EEC member governments and by monitoring national newspapers and government press releases. Members of the centre also travel throughout the Community to gather and update material.

English is tha main language of the data base,

Prof Allen's unit at Strathclyde produced the annual European Regional Incentives study which, in book form, compares aid available in problem areas thoughout the EEC and Sweden.

47 Electrical and Electronic companies, 2 Freight Forwarding agencies, 6 Printers and Publishers, 3 Haulage companies, 10 Computer companies, 22 Business and Secretarial services, 4 Packers, 2 Robotic Engineering companies, 25 Mechanical Engineering works, 15 Precision Engineering groups...and a man who makes printed circuit boards.*



Glenrothes has over thirty years experience of establishing an infrastructure that makes sense for business development.

Over thirty years of providing a sound industrial base for the widest range of companies has resulted in a continual pattern of successful growth for the community–the businesses mentioned above are but a small proportion of those enjoying all the benefits of a continual association with Glenrothes Development Corporation.

*With support from Glenrothes Development Corporation Michael Conway has set up his own company · C. B. Circuits, to produce printed circuit boards.

GLENROTHES
DEVELOPMENT CORPORATION

FOR FURTHER INFORMATION PLEASE CONTACT: JOHN McCOMBIE, COMMERCIAL DIRECTOR, GLENROTHES DEVELOPMENT CORPORATION, BALBIRNIE HOUSE, GLENROTHES, FIFE, SCOTLAND KY7 6NR. TELEPHONE: 0592-754343. TELEX: 727125.

It's a tough world for manufacturers.

So it's hardly surprising that many will go to great lengths to stay competitive.

But before you start looking for answers thousands of miles away, talk to British Gas.

We'll show you that using gas as a fuel can do as much for your bottom line as it does for your production line.

Clean, efficient gas is the reliable, high quality fuel, which means a more reliable manufacturing process. Often achieving a better end product altogether.

It's also economical to use, producing significant savings in fuel costs.

This can result in increased productivity, a lower unit cost and greater profitability.

But that's not the end of the story.

With the advances made by modern technology in the past few years, gas is more versatile and efficient than ever, and even simpler to maintain.

Converting to gas can be a matter of just changing the burner in your existing system.

Or we can help you develop a whole new manufacturing process with the assurance of plentiful supplies of gas long into the future.

Even a major investment in gas can pay for itself in no time at all with the day to day

How far would you go to get a lower unit cost?

savings in running costs it will make.

And your competitors could end up paying too, by losing market share to your better, less expensive product.

To arrange an appointment with the industrial specialist of your local British Gas region, all you have to do is dial 100 and ask for FREEFONE INDUSTRIAL GAS.

Unlike a 'phone call to the Far East, it won't cost you anything, but it could cost your competitors a great deal.

British Gas

Gas fuels profits.

UK NEWS

Alliance parties agree seat allocation

By Peter Riddell

THE LIBERAL and Social Democratic Alliance has removed a major source of internal tension, after final agreement on the allocation between the two parties of parliamentary seats to be fought at the next general election.

A basis of agreement now exists in every seat after compromises by both Dr David Owen, the SDP leader, and some Liberal activists. These involve the selection of candidates in over 60 seats jointly by members of both parties.

Final meetings to ratify the deal will now be held locally but differences have been removed even in seats such as Leeds North West, where both parties had put forward candidates.

The agreement is an important stage in closer Alliance relations after previous disagreements. At this stage of the last Parliament, in early 1982, seat negotiations were temporarily suspended by Mr Bill Rodgers of the SDP. This time, Mr Rodgers has been one of the key figures in securing a deal.

The result of the lengthy negotiations is that each party will fight more than 300 out of the 635 mainland constituencies in Britain, keeping the rough parity which has been the aim throughout. Despite some swapping of constituencies between the parties, the balance of winnable seats is roughly as it was at the 1983 general election.

The key part of the agreement is that in more than 60 seats candidates should be picked on the basis of joint open selection – that is, from members of either party by members of both. In addition, in around 30 seats candidates will be picked from among SDP nominees by members of both parties.

Of the first 25 joint open selections, about half a dozen which were fought by the Liberals in 1983 have gone to an SDP candidate and there has been an almost identical shift in the opposite direction.

This balance will allay the fears of some SDP activists who were worried that the Liberals might win most of such open selections

Electricians set for fresh clash on TUC policy

BY HELEN HAGUE, LABOUR STAFF

THE ELECTRICIANS' union EETPU appears poised to defy the formal advice of Mr Norman Willis, general secretary of the Trades Union Congress (TUC), not to countenance a single union agreement with News International for its new printing plant in Wapping, East London.

Such a move would again raise the prospect of suspension – or expulsion – of the union from the TUC.

Last night Mr Tom Rice, the EETPU's officer responsible for national newspapers, said that if Mr Willis persisted in his stance he would recommend to his union's executive next week that the union accept News International's invitation to hold national-level talks.

News International, owned by Mr Rupert Murdoch, intends to start a new London newspaper, The Post, at the Wapping plant this year. Mr Murdoch's newspaper interests in Britain include the Sun, News of the World and The Times.

The TUC's Printing Industries Committee – which brings together leaders and representatives of all print unions – is due to reconvene on Friday. Mr Rice will then make his views on the question of recognition at Wapping known.

He said last night: "I am concerned that Norman Willis' letter could be construed as an instruction to me not to enter into negotiations with the company. Every other union has held talks at national level with the company. We have not yet done so. I am worried that this is an attempt to stop us from exercising our legitimate right to represent our members' interests."

Mr Willis' advice was issued to all print unions in late December, days before the deadline set by Mr Murdoch for negotiations on recognition at the plant expired. But it was aimed primarily at the electricians, the only union not to rule out signing the legally binding no-strike deal that the company has demanded.

New daily paper to name backers

By Raymond Snoddy

THE NEW quality national daily newspaper planned by former Daily Telegraph journalists will tomorrow announce the names of six institutional backers investing a total of £2m.

Mr Andreas Whittam-Smith, editor and chief executive of the proposed new daily, said yesterday that the first-round finance was coming from investment trusts and unit trust groups.

"They are all familiar names in the City of London, nothing obscure, all British and all blue riband," said Mr Whittam-Smith, former City editor of the Daily Telegraph.

He said that the first six institutions to be approached had agreed. All six will also participate in the second round, designed to raise an additional £15m to £16m in equity and loan stock within the next two months.

The company, Newspaper Publishing, will come into legal existence tomorrow and hopes to sign later this month a lease for offices in London's City Road. The journalists plan to announce the name of the broadsheet newspaper within the next few weeks.

The newspaper, due to be launched in the first week of October, will not, according to Mr Matthew Symonds, deputy editor, be identified with any party line. It will tend to be free market in economic policy, liberal on social issues and pragmatic on foreign affairs.

The first dummy issue of the newspaper will be completed this week and detailed market research will then be carried out. Research on the concept, Mr Symonds said, produced a high response in the target audience – 22-45 year-olds in the higher social groups. The break-even circulation is said to be just under 300,000.

The newspaper will be printed under contract by unionised houses in different parts of the country. Senior staff have already been recruited for the newspaper, which will use the latest computer technology.

Unionists dismayed by violent end to march

BY HUGH CARNEGY

EFFORTS by Ulster Unionists to keep their campaign against the Anglo-Irish agreement peaceful were dealt a blow on Saturday when a demonstration outside Belfast erupted into violence in which 28 policemen were injured.

Afterwards, Mr Frank Millar, general secretary of the Official Unionist Party (OUP) said street protests might have to be abandoned as a result of the ugly scenes outside Maryfield House, where the Anglo-Irish secretariat is based.

Senior Unionist politicians were dismayed that loyalist paramilitarists, who had previously remained in the background in the campaign against the London-Dublin accord, had apparently decided to make their presence felt.

Appeals for calm by Mr James Molyneaux, leader of the OUP, and other politicians addressing the crowd were ignored by groups of youths, some of them masked and helmeted, who mounted a series of attacks on the Royal Ulster Constabulary.

The determined nature of the attacks and the inability of politicians to halt them contrasted with an outbreak of more spontaneous violence during a similar protest at Maryfield last month. That ended an otherwise peaceful protest march by young Unionists from Londonderry.

Filmless cameras in focus

Nick Bunker looks at a photographic concept which would bypass the business of processing and printing

FILMLESS still cameras are as outlandish a concept today as horseless carriages must have been in the early 1880s. Yet the coming year may see them capture a central place in commercial and technological debate about the future of the sluggish world market in photographic equipment.

Development work by leading companies has continued quietly in the four years since Sony, the Japanese audio and video products group, first publicly displayed – perhaps prematurely – the prototype Mavica. A still camera, it stored its images not on conventional silver-based film but on a magnetic disk.

It bypassed the tedious business of processing and printing: the Sony Mavica's disk could be played back through a video system, and the pictures viewed on a television screen.

Poor-quality images and the Mavica's high cost (possibly in the region of £1,000 each) rendered the product something of a white elephant. It has not yet been put on sale.

There are fresh signs, however, that electronic still photography is "a goer, with a capital G," in the words of Mr George Hughes, editor of the British magazine Camera Weekly.

"The Japanese have said for a long time that they see the future of home entertainment revolving around the television," he says. "It makes sense to put photography there as well." Current stagnation in camera sales offers manufacturers an incentive to investigate a technology that might evoke new consumer interest.

In Britain, total annual camera sales, which stood at £53.5m in 1978, fell to £50.5m in 1984, after a peak in the early 1980s.

There are still technical and economic obstacles to a takeover of the market by filmless cameras; reports of the imminent demise of conventional, film-based photography are doubtless considerably exaggerated.

Canon, Japan's top 35mm camera manufacturer, has said it expects to begin marketing to professionals some time this year a colour electronic filmless still camera based on a model used experimentally by Japanese press photographers at the 1984 Los Angeles Olympics.

At its heart will lie a fingernail-sized semi conductor, known as a charge-coupled device (CCD), that can convert images picked up through the lens into electronic signals recorded on a floppy disk.

Again, the disk can be inserted into a playback device and the photographs viewed instantly on a screen. Alternatively, they can be transmitted down telephone lines to a newspaper office, or printed out using another special unit.

Such technology does not come cheaply. Unconfirmed reports suggest that the Canon camera alone might cost more than £1,000. If the high price is one factor limiting use of the filmless camera, the other is the present inferiority of their pictures.

Electronic imaging, it is argued, will never match the quality of silver-based film, itself subject to continuing technical improvements.

Canon's camera demonstrated in Los Angeles featured a CCD capable of handling 400,000 separate pieces of visual information – considerably more sensitive than the Mavica's and adequate for producing newspaper pictures, but still far less sensitive than most films.

Manufacturers might opt instead for a cheap still video playback system without a new form of camera. Eastman Kodak is scheduled to begin North American consumer trials of such a system

It will use a unit in a photofinishing laboratory to transfer images from ordinary camera film to floppy disks, each storing up to 50 pictures, which a customer can play back via a unit attached like a video cassette recorder to a home TV set.

By early 1987, Eastman Kodak says, the system might be on the market; Fuji Photo Film, the company's key Japanese rival, began selling a comparable system in Japan more than six months ago.

Record £6.2bn raised on London market

BY MICHAEL PROWSE

A RECORD £6.2bn was raised by British and foreign companies on the London stock market last year, according to figures released by the Bank of England.

The rate of capital issues was 72 per cent higher than in 1984, which was also a buoyant year. In the early 1980s, only about £2bn to £3bn of new money was raised in London capital markets.

The unprecedented volume of new issues in 1985 reflected the buoyancy of stock market prices and accompanied a wave of industrial fixed investment spurred by tax changes in the 1984 budget. The hunger for new money also reflected the unusual intensity of corporate takeover and merger activity.

After allowing for £1bn of redemptions, the net new money raised last year was £5.2bn, 80 per cent of which was ordinary shares. UK public companies raised a net £5.1bn, overseas borrowers raised £675m and British local authorities and public corporations repaid £566m.

Among public companies, industrial and commercial groups raised £4.1bn and financial institutions £1bn. Less than 60 per cent of industrial capital issues came from the manufacturing sector – service industries also showed a keen appetite for funds.

The service sector raised nearly £1.5bn on capital markets last year. Wholesale and retail distributors, hotels and restaurants and repair companies alone raised £600m. The transport and communication sector raised £222m.

Last year also saw a further increase in the volume of new issues on the London unlisted securities market. A total of £180m was raised against £159m in 1984. Most of the money was raised in the form of ordinary share issues by UK industrial companies.

Scope for tax cuts reduced, says broker

Financial Times Reporter

FALLING oil revenues have cut in half the scope for tax cuts in this year's budget, argues Simon & Coates, the broking firm, in its latest economic assessment, published today.

It says the Chancellor of the Exchequer will be able to cut taxes by only £1½bn in March. Last year the Treasury had pencilled in tax cuts of up to £3½bn.

The reduced scope for tax cuts reflects the broker's forecast that oil revenues will decline steeply – from £11½bn in the current financial year to only £7½bn in 1986-87.

Taken by itself, the £4bn drop in projected oil revenues would eliminate entirely the scope for tax cuts. But it should be partially offset by the buoyancy of non-oil revenues, which are expected to exceed official projections by about £2bn.

OBITUARY

Arthur Sandles, writer of wit and authority

ARTHUR SANDLES, who died in Switzerland yesterday at the age of 50, was one of the FT's most talented writers. He made an outstanding contribution to the development of the paper over the past 20 years, not only in the field of travel and tourism where he achieved an international reputation, but in many other ways.

He will be remembered for the warmth of his personality, his unfailing good humour and his infectious enthusiasm for new ideas. He will be deeply missed by his friends and colleagues on the FT and outside.

He began his journalistic career on the Kentish Times group, later working in broadcasting and provincial evening papers. He joined the Financial Times in 1961 as a labour reporter. From his first days on the FT he tackled every job that came his way with relish, rapidly establishing himself as a versatile, fluent and thoroughly reliable writer on a wide range of subjects. His feature-writing skills were soon in evidence and he served both as features editor and as editor of the Men and Matters column.

While he was always happiest in a writing role, he also showed considerable editing skills. In 1977 he was asked to redesign and take charge of the leisure sections of the Saturday FT, a task in which he showed flair, originality and a remarkable ability to get the best out of his contributors.

In recent years he concentrated primarily on travel, tourism and the leisure industries, although he was always keen to volunteer for any assignment, however remote from his main responsibilities, where his writing talent – and his taste for the off-beat story – could be put to good use. In his travel articles which appeared almost every Saturday he was able to convey the flavour and atmosphere of the many exotic places he visited while never forgetting the practical needs and interests of the ordinary tourist. His column on climbing Mount Kilimanjaro, which appeared in November of last year, was an example of travel writing at its best.

Arthur had a particular love for skiing and he reported from skiing resorts all over the world. He was himself a dedicated and skilled enthusiast who for many years had done much to promote winter sports and travel among the British public.

He had the invaluable gift of combining a lively writing style with clarity and authority. On the business side of the leisure industry – and of the other subjects which he covered, such as broadcasting – he showed a depth of understanding which was much appreciated by the people he wrote about. His advice was often sought by leading businessmen in the leisure field.

In all his work for the Financial Times – writer, editor and colleague – Arthur brought a spark of wit and gaiety to a newspaper which is always in danger of becoming too solemn. As a journalist and a man, he won the respect and affection of all who came into contact with him.

G. O.

AVAILABLE FROM JANUARY 13th

NEW TRIDENT GOLD FROM BRITANNIA

UNBEATABLE AT EVERY LEVEL

TRIDENT GOLD	
9·25% NET	13·21%* GROSS EQUIVALENT
Minimum initial investment £250. Monthly income option at 8.88% net (9.25% C.A.R.)	

TRIDENT GOLD PLUS	
9·55% NET	13·64%* GROSS EQUIVALENT
Minimum initial investment £5,000. Monthly income option at 9.16% (9.55% C.A.R.)	

TRIDENT SUPER GOLD	
9·80% NET	14·00%* GROSS EQUIVALENT
Minimum initial investment £10,000. Monthly income option at 9.39% (9.80% C.A.R.)	

The rate of interest to be applied will be determined by the opening balance. Rates may vary. *Gross equivalent assuming tax paid at 30% basic rate.

Whether you have £250 or £250,000 to invest, Trident Gold could be very good news indeed.

There are three accounts in the scheme. All offering highly competitive interest rates. All offering instant access, without penalty, to the whole of your investment at any time.

And, with Trident Gold, you choose the interest rate.

There are three, depending on the size of your initial investment.

£250 or more, for example, earns a full 9.25% net; £5,000 or more earns 9.55% net; whilst £10,000 or more qualifies you for no less than 9.80% net – all three paid annually.

(We also offer monthly interest on all investments over £1,000. See table for details.)

Simple. Flexible. No notice. No nonsense.

We think you'll find it difficult to get a better all-round deal from any other national building society.

If you're going for Gold, come to Britannia.

Tick boxes as appropriate
☐ Please send me full details of your range of investment plans.
☐ I/We enclose cheque no. .... value of .... to open a:-
☐ Trident Gold Account (min. investment £250)
☐ Trident Gold Plus Account (min. investment £5,000)
☐ Trident Super Gold Account (min. investment £10,000)
Maximum investment £250,000 per account.
I would like my interest paid:-
☐ Annually ☐ Monthly (minimum investment £1,000)
Interest to be:-
☐ Added to the account ☐ Paid into my/our Britannia account number ....
If you require payment by cheque (annual interest only), or direct to a bank account, please give details in writing.
Full Name(s) Mr/Mrs/Miss ....
Address ....
Tel: ....
Signature(s) ....
Date FT6/1
Post to:- Britannia Building Society, FREEPOST, Newton House, Leek, Staffs. ST13 5ND. If enclosing a cheque, you may wish to use first class post to the address below.

Britannia Building Society

DON'T INVEST A PENNY UNTIL YOU'VE CHECKED WITH US

BRITANNIA BUILDING SOCIETY, NEWTON HOUSE, LEEK, STAFFS. ST13 5RG. TEL: 0538 385131. ESTABLISHED 1856. A MEMBER OF THE BUILDING SOCIETIES ASSOCIATION. FOR BRANCHES AND AGENTS SEE YOUR LOCAL DIRECTORIES. AUTHORISED FOR INVESTMENTS BY TRUSTEES. ASSETS NOW EXCEED £3,000 MILLION.

Company Notices

EUROPEAN COAL AND STEEL COMMUNITY (ECSC)
Established by the treaty which was signed in Paris on the 18th of April 1951
KIRCHBERG - LUXEMBOURG (GREAT DUCHY OF LUXEMBOURG)
Bonds 7½% 1973-1988 of FF250,000 Each
Alphanumerical Code: 826 765
Numerical list of the 24 bonds drawn at the 8th drawing conducted for redemption on the 18th of December 1985 and redeemable from the 30th of January 1986 at FF250,000 per bond
2 to 25
All previously drawn bonds were paid

USD 300,000,000
CAISSE NATIONALE DES TELECOMMUNICATIONS
Floating Rate Notes due 2000
Notice is hereby given that the next interest period chosen by Caisse Nationale des Telecommunications is one month, beginning January 13th 1986.
The Fiscal Agent
BANQUE NATIONALE DE PARIS (LUXEMBOURG) S.A.

BASE LENDING RATES

ABN Bank	11½%	■ Guinness Mahon	11½%
Allied Dunbar & Co.	11½%	■ Hambros Bank	11½%
Allied Irish Bank	11½%	Heritable & Gen. Trust	11½%
American Express Bk.	11½%	■ Hill Samuel	§11½%
Amro Bank	11½%	C. Hoare & Co.	11½%
Henry Ansbacher	11½%	Hongkong & Shanghai	11½%
Associates Cap. Corp.	12 %	Johnson Matthey Bkrs.	11½%
Banco de Bilbao	11½%	Knowsley & Co. Ltd.	12 %
Bank Hapoalim	11½%	Lloyds Bank	11½%
Bank Leumi (UK)	11½%	Edward Manson & Co.	12½%
BCCI	11½%	Meghraj & Sons Ltd.	11½%
Bank of Ireland	11½%	Midland Bank	11½%
Bank of Cyprus	11½%	■ Morgan Grenfell	11½%
Bank of India	11½%	Mount Credit Corp. Ltd.	11½%
Bank of Scotland	11½%	National Bk. of Kuwait	11½%
Banque Belge Ltd.	11½%	National Giro Bank	11½%
Barclays Bank	11½%	National Westminster	11½%
Beneficial Trust Ltd.	12½%	Northern Bank Ltd.	11½%
Brit. Bank of Mid. East	11½%	Norwich Gen. Trust	11½%
■ Brown Shipley	11½%	People's Trust	12½%
CL Bank Nederland	11½%	[illegible] Intl. (UK)	12 %
Canada Permanent	11½%	Provincial Trust Ltd.	12½%
Cayzer Ltd.	11½%	R. Raphael & Sons	11½%
Cedar Holdings	12 %	Roxburghe Guarantee	12 %
■ Charterhouse Japhet	11½%	Royal Bank of Scotland	11½%
Citibank NA	11½%	Royal Trust Co. Canada	11½%
Citibank Savings	¶12½%	Standard Chartered	‖11½%
City Merchants Bank	11½%	TCB	11½%
Clydesdale Bank	11½%	Trustee Savings Bank	11½%
C. E. Coates & Co. Ltd.	12 %	United Bank of Kuwait	11½%
Comm. Bk. N. East	11½%	United Mizrahi Bank	11½%
Consolidated Credits	11½%	Westpac Banking Corp.	11½%
Continental Trust Ltd.	11½%	[illegible] Laidlaw	12 %
Co-operative Bank	*11½%	Yorkshire Bank	11½%
The Cyprus Popular Bk.	11½%		
Duncan Lawrie	11½%		
E. T. Trust	12 %		
Exeter Trust Ltd.	12 %		
Financial & Gen. Sec.	11½%		
First Nat. Fin. Corp.	12½%		
First Nat. Sec. Ltd.	12½%		
■ Robert Fleming & Co.	11½%		
Robert Fraser & Ptrs.	12½%		
Grindlays Bank	‡11½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 8.00%. 1-month 8.50%. Top Tier—£2,500+ at 3 months notice 11.25%. At call when £10,000+ remains deposited. Call deposits £1,000 and over 8.00% gross.
† 21-day deposits over £1,000 9.75%.
¶ Mortgage base rate.
§ Demand dep. 8%. Mortgage 13%.

THE HOKKAIDO TAKUSHOKU BANK LIMITED
(Incorporated with limited liability in Japan)
Garrard House, 31-45 Gresham Street, London EC2R 7BD
US$10,000,000.00
Callable Negotiable Floating Rate
Dollar Certificates of Deposit due 17th February 1987
In accordance with the provisions of the Certificates, notice is hereby given that The Hokkaido Takushoku Bank Limited ("The Bank") will prepay the principle amount on the next interest Payment Date, 14th February 1986, together with interest accrued to that date.
Payment will be made against presentation and surrender of the Certificates at The Bank's London Branch.
Agent Bank
First Chicago Limited

UNITED STATES BANKRUPTCY COURT

FOR THE SOUTHERN DISTRICT OF ALABAMA
Iore
MARION CORPORATION
Debtor
CASE No. 83-00373

NOTICE AND ORDER (I) APPROVING DISCLOSURE STATEMENT AND ANCILLARY MATERIALS, AND (II) SETTING SCHEDULE FOR VOTING AND CONFIRMATION

At Mobile, Alabama, in said District on the 5th day of December, 1985 before Honorable Arthor B. Briskman, United States Bankruptcy Judge:

The Court hereby ORDERS, FINDS and DECREES, as follows:

1. The disclosure-statement dated October 21, 1985 as amended (the "Disclosure Statement") on the record of the bearing by the proponents of the first Amended Chapter 11 Plan dated September 26, 1985 (the "Plan") contains "adequate information" regarding the Plan in accordance with section 1125(a) of the Bankruptcy Code.

2. The Disclosure Statement, be, and it is hereby, approved pursuant to section 11 25(b) of the Bankruptcy Code.

3. All proponents of the Plan are hereby authorised to solicit acceptance of the Plan.

4. On or before December 23, 1985, Marion shall at its expense cause the Disclosure Statement and all documents referred to in this paragraph to be duplicated or printed and Marion shall transmit by mail to its schedule holders of e claim or interest in classes 3a-K, 4a, 4b, 5, 6, 7, 8, under the Plan and to those entities that have filed proofs of claim or interests (a) copy of the Plan (which may be an exhibit to the Oisclosures Statement): (b) a copy of the Oisclosure Statement: (c) a copy of this order; (d) ballots and postage paid return envelopes for eccepting or rejecting the Plan; and (e) a copy of the letters in respect of the Plan prepared by Marion and the statutory committees appointed in the Marion chapter II case and the letter prepared by the indenture trustee for the subordineted debentures guaranteed by Marion (the "Indenture Trustee"), provided, however, that letters not pertaining to a pardeuler class may, but need not be transmitted to holders of claims or interests in such class. The euthors and sponsors of such letters other than Marion do not need to obtain approval of their letters pursuant to Bankruptcy Code section 1125(b) as they shall not be deemed disclosure statements or parts thereof and are authorized pursuant to Bankruptcy Code section 1103(c)(3). The letter prepared by Marion is hereby approved for transmittal to all parties in interest. The interest holders to receive the foregoing materials and who shall be entitled to vota on the Plan are those entities that were interest holders of record on Oecember 5, 1985. Brokersge bouses and other institutions that receive the foregoing materials because they bold Marion shares for their customers shall transmit such materials forthwith to the beneficial owners of the Marion shares.

5. Acceptances or rejections of the Plan must be in writing and to be counted must be received by Merion on or before 5.00 p.m. Central Time oo January 25, 1986 at One Marion Avenue, Dapbne, Alabama 36526.

6. Any and all objections to confirmation of the Plen must be in writing and must be filed with the Bankruptcy Court oe or before January 14, 1986, together with proof of service on:

ATTORNEYS FOR MARION

McDermott, Slepian, Windom & Reed 211 North Conception Street Mobile, Alabama 36602 (Attn: Ronald P. Slepian, Esq)	Rochelle, King & Balzersen 1600 First City Center Dallas, Texas 75201 (Attn: Michael R. Rochelle, Esq)

ATTORNEYS FOR BANK CREDITORS

Cabaniss, Johnston, Gardner Dumas & O'Neal 2210 First National Bank Bldg Mobile, Alabama 36602 (Attn: Donald J. Stewart, Esq)	Weil, Gotshal & Manges 767 Fifth Avenue New York, New York 10153 (Attn: Martin J. Bienenstock, Esq)

ATTORNEYS FOR THE CREDITORS' COMMITTEE

Sheinfeld, Maley & Kay 3700 First City Tower Houston, Texas 77002 (Attn: Joel P. Kay, Esq)	Silver & Volt 4317-A Midmost Drive Mobile, Alabama 36609 (Attn: Irving Silver, Esq)
ATTORNEY FOR GUARANTYHOLDERS' COMMITTEE John C. Loring, Esq 700 West Irving Park Suite A-1 Chicago, Illinois 60613	ATTORNEYS FOR THE SHAREHOLDERS' COMMITTEE Smith, Gambrell & Russell 2400 First Atlanta Tower Atlanta, Georgia 30383 (Attn: Joel S. Flassick, Esq)

Confirmation of the Plan may discharge all claims against Marion as of confirmation date

7. To the extent, if any, that ballots in respect of the Plan are sent to the statutory committees serviog in the Marion chapter II case, the Indenture Trustee, or any other person or entity, each of them is hereby directed to transmit to Merion each ballot received within five business days of its receipt.

8. The hearing to consider confirmation of the Plan will be held on January 27, 1986 at 9.30 a.m. in Room 229 of the United States Courthouse, 113 St Joseph Street, Mobile, Alabama. Said hearing may be adjourned from time to time without further notice other than an oral announcement of the adjourned date or dates at the hearing or an adjourned hearing.

Mobile, Alabama
Dated December 5, 1985
Arthur B. Briskman
UNITED STATES BANKRUPTCY JUDGE

UNITED STATES BANKRUPTCY COURT

SOUTHERN DISTRICT OF ALABAMA
CASE No. 83-00373 (ABB)
NOTICE OF VOTING PROCEDURE ON PLAN OF REORGANIZATION
In Re:
MARION CORPORATION
Debtor

TO HOLDERS OF MARION INTERNATIONAL FINANCE N.V. 9% GUARANTEED SUBORDINATED DEBENTURES DUE 1995:

PLEASE TAKE NOTICE that Marion Corporation has received Court approval of a Disclosure Statement relating to its "Plan of Reorganization."

A ballot and a copy of the Disclosure Statement have been sent to all known bolders of Eurobonds. A ballot and a copy of the Disclosure Statement may be obtained from:
J. Henry Schroder Bank & Trust Company
Attn: George R. Sievers, Senior Vice President
One State Street
New York, New York 10015
U.S.A.
Telephone: (212) 269-6500

In addition, holders of Eurobonds whose securities are in the custody of Euroclear Operations Center P.L.C. ("Euroclear") or Cedel S.A. ("Cedel") may arrange to obtain a ballot and Disclosure Statement and cast ballots through Euroclear or Cedel et the following addresses:

Euroclear Operations Center P.L.C. c/o Morgan Guaranty Trust 35 Avenue des Arts B-1040 Brussels BELGIUM	Cedel S.A. 67 Bd. Gr. D Charlotte P.O. Box 1006 LUXEMBOURG

All Eurobond holders who wish to vote on the Plan must deposit their Eurobonds either with J. Henry Schroder Bank & Trust Company, Euroclear, Cedel or any bank or trust company which is a member of the New York Clearing House Association, or e correspondent of such member, along with their ballots. Each bank or depository must review the ballots it receives and certify to Marion Corporatioo on the ballot that the amount of Eurobonds delivered to it is correctly stated on each ballot. The completed ballot must then be returned to end received by J. Henry Schroder Bank & Trust Company no later than 5.00 p.m., Eastern Standard time, January 24, 1986. Eurobonds delivered in connection with voting on the Plan must be held by the Bank or depository until 6.00 p.m., Eastern Standard time, January 25, 1986.

MARION CORPORATION

NOTICE OF REDEMPTION

Armco Overseas Finance N.V.

U.S. $50,000,000
15⅛% Guaranteed Notes
Due December 1, 1986

Notice is hereby given that Armco Overseas Finance N.V. has elected to redeem all of its outstanding 15⅛% Guaranteed Notes Due December 1, 1986 (the "Notes") on January 31, 1986, (the "Redemption Date") at the redemption price of 100% of their principal amount together with accrued interest, ie the amount of US$1,025.63 per US $1,000 Bond (the "Redemption Price").

All Notes, together with all coupons appertaining thereto maturing on December 1, 1986, are to be surrendered for payment of the Redemption Price at the Corporate Trust Office of Bankers Trust Company in the Borough of Manhattan, The City of New York, or at the main offices of 1) Bankers Trust Company in London, 2) Bankers Trust Company in Paris, 3) Bankers Trust GmbH in Frankfurt am Main, 4) Bankers Trust A.G., in Zurich, 5) Banque du Benelux S.A. in Brussels and 6) Banque International A Luxembourg, in Luxembourg.

Armco Overseas Finance N.V.
By: Bankers Trust Company
as Fiscal Agent

December 30, 1985

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Current
London International Boat Show (0932 54511) (until January 12) — Earls Court

January 9-12
Holiday and Travel Fair (021-780 4171) — NEC, Birmingham

January 11-16
Harrogate International Toy Fair (01-226 6653) — Harrogate

January 12-16
International Light Show (05884 658) — Olympia

January 13-16
Amusement Trades Exhibition (01-228 4107) — Olympia

January 14-17
Which Computer? Show (01-891 5051) — NEC, Birmingham

January 16-19
Ideal Home Exhibitioo (0202 296275) — Brighton

January 18-22
Stationery Industry Exhibition—STATINDEX (01-385 1200) — Olympia

January 21-23
Hirex Exhibition (01-688 7788) — Wembley Conference Centre

January 21-23
International Contract Flooring Exhibition (0990 243 66) — Novotel

January 29-31
The Videotex User Show (01-608 1161) — Barbican Centre

January 29-February 5
International Hotel & Catering Exhibition—HOTELYMPIA (01-705 6707) — Olympia

January 30-February 2
Practical Woodworking Exhibition (01-643 8040) — Wembley Conference Centre

February 2-6
International Spring Fair—Gift Section (01-855 9291) — NEC, Birmingham

OVERSEAS TRADE FAIRS

Current
International Hotel and Catering Industries Trade Fair — HDRECAVA (01-437 2175) (until January 9) — Amsterdam

January 7-9
Computers, Communications and Business Equipment Exhibition — INFO / SOUTHWEST (01-891 5051) — Dallas

January 9-14
International Lighting Show (01-439 3964) — Paris

January 11-19
International Caravan, Motor and Tourism Exhibition — CMT (01-236 0911) — Stuttgart

January 14-19
International Furniture Show (01-930 7251) — Cologne

January 15-18
Asian Aerospace Exhibitioo (01-891 5051) — Singapore

January 22-26
International Pollution Monitoring and Control Exhibition and Conference—ENVIROTECH (01-221 2043) — Bombay

January 24-27
Duty Free Exhibition (01-642 7688) — Dubai

BUSINESS AND MANAGEMENT CONFERENCES

January 7-8
Unicom Seminars: Fundamentals of 3D graphics (01-840 7716) — Forum Hotel, SW7

January 13-14
Institute of Personnel Management: The secretary in personnel management (01-946 9100) — Kensington Close Hotel, W8

January 13-14
FT Conferences: Aerospace in Asia and the Pacific Basin (01-621 1355) — Singapore

January 13
Brunel Institute: How effective is your training function? (0895 56461) — Brunel University, Uxbridge

January 14-15
Crown Eagle Communications: Effective project management (01-242 4111) — Tower Hotel, E1

January 16
Oyez/IBC: Bankers' security and the new insolvency act (01-236 4080) — Royal Lancaster Hotel, W2

January 20
Frost and Sullivan: The impact of emerging technologies on your firm (01-835 3190) — Hyatt Carlton Tower, W1

January 21-22
FT Conferences: Regulating the Financial Services Industry (01-621 1355) — Hotel Inter-Continental, W1

January 22
Brunel Institute: How effective is your personnel department? (0895 56461) — Brunel University, Uxbridge

January 26-27
Confederation of British Industry: Pakistan—Trade investment and investment opportunities for the UK (01-379 7400) — Karachi

January 27-29
FT Confereoces: City Seminar (01-621 1355) — Skinners' Hall, EC4

January 28-30
Crown Eagle Communications: Advancing in management (01-242 4111) — Tower Hotel, E1

January 29
The Industrial Society: Industry year 1986—ideas for industry year, and how to make them happen. . . . (01-262 2401) — Moorgate, EC2

January 30-31
Euromoney Conferences: Securitisation (01-236 3288) — Hotel Inter-Continental, W1

February 3-7
Brunel Institute: Techniques of scenario planning (0895 56461) — Brunel University, Uxbridge

February 4-5
Crown Eagle Communications: Successful public relations (01-242 4111) — Tower Hotel, E1

February 6
Oyez/IBC: The Insolvency Act 1985—the key issues (01-236 4080) — Barbican Centre, EC2

February 12-13
Risk Research Group: The London insurance market and its future (01-236 2175) — Hilton Hotel, W1

February 18
Longman Seminars: National insurance contributions—problems and planning (01-242 4111) — Barbican Centre, EC2

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

Financial Times Conferences

THE SECOND FT-CITY SEMINAR

London—January 27, 28 and 29, 1986

Following the highly successful three-day intensive version of the FT City Course held in London last January, the Financial Times is pleased to announce that this FT City Seminar is to be held again from January 27 to 29 at the Skinners' Hall in the City of Loodon. Describing how busioess is done in London and commeoting upon the changes stemming from the financial services revolution will be Dr Michael von Clemm of Credit Suisse First Boston, Mr Win Bischoff of Schroders, Mr Pen Kent of the Bank of England, Mr Christopher Johnsoo of Lloyds Bank and Mr David Malcolm of Royal Insurance who are among a most interesting panel of contributors. The chair is to be taken again by Mr Marc Lee, the FT Conference Advisor, and the proceedings will cover a very wide range of City activities. The Seminar allows ample time for questions, discussion and contact-making.

THE LONDON MOTOR CONFERENCE

—The Outlook for the Aftermarket

London—February 17, 1986

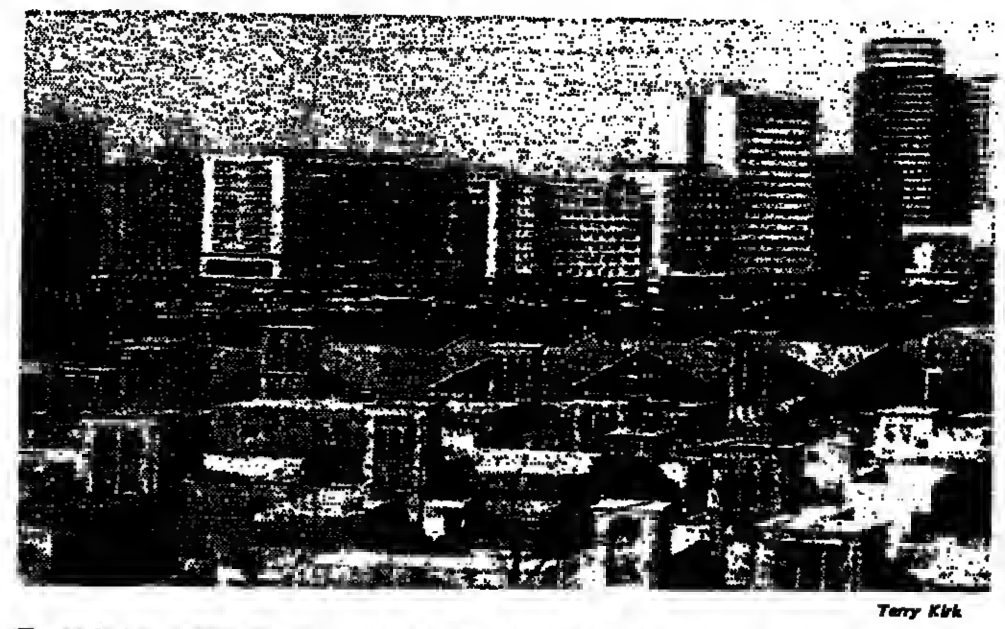
Financial Times motor industry conferences have developed strongly in recent years and last September's World Motor conference in Frankfurt was particularly well received. Sessions devoted to the after-market at that and earlier FT motor conferences attracted much interest and the FT is pleased to announce this major one-day meeting to be held in London ot the time of the Autopartac '86 Exhibition.

This year's agenda will concentrate on developments in the after-market and speakers will assess medium and longer term trends as well as what is happening now in a significant, but previously often under-rated, sector of the motor industry. Mr John Wormald of Booz.Allen & Hamilton will chair the meeting and Mr Roy Rogers of General Motors Service Parts Operations—United Kingdom will deliver the keynote address. Other speakers include: Mr Y. C. Kim of the Panther Car Company; Mr Tom Farmer of Kwik-Fit Holdings and Mr John W. Hartland of Forward Trust Group.

All enquiries should be addressed to:

The Financial Times
Conference Organisation
Minster House, Arthur Street
London EC4R 9AX
Tel: 01-621 1355 (24-hour answering service)
Telex: 27347 FTCONF G
Cables: FINCONF LONDON

CONSTRUCTION CONTRACTS



Terry Kirk

The high-rise commercial blocks on the Deira bank of The Creek contrast with the old windtowers of the Bastakia district of Dubai in the foreground. The Ruler's office is on the extreme left. The village was first settled about 80 years ago by the Pharsees, mostly Sunnis, from southern Iran. More arrived in the 1930s when the Reza Shah's legislation abolished the veil. The windtowers are the oldest and cheapest form of air-conditioning known

Diwan to be built in Dubai

The Government of Dubai has signed a Dhs 120m (£22.8m) contract for the construction of the new Diwan with BEL HASA ENGINEERING & CONTRACTING CO, of Dubai. Bel Hasa, in joint venture with Belgian company Six Construct, submitted the lowest bid out of nine tenders. Other companies competing in the tender were Laing Emirates; Al Habtoor Engineering Enterprises; Dutco Balfour Beatty; Taylor Woodrow; Al Futtaim Wimpey; Al Ashram Contracting Company; Ali Mulla Construction Co, and Al Naboodah Contracting Company.

Construction is due to start this month and the project should be complete 20 months later. The design, prepared by John R. Harris & Partners, reflects the traditional character of the historic buildings in the Bastakia area and adjoining the Creek.

Attention has been given to the scale of the new Diwan, which is a major building close to historic surroundings as well as to the waterfront of the Creek. When completed, the new building will complete a group of Government offices and will be associated with the existing Ruler's Office. On completion the buildings will form a central government square.

Elida Gibbs extension

BALFOUR BEATTY has been awarded a contract in Leeds for alterations and extension to production and technical facilities for Elida Gibbs, part of the Unilever Group. Valued at £8.7m, the work involves demolition, extension and alterations to the production, marshalling and bulk storage areas, a new technical office block, a new laboratory block, alterations to existing canteen and office facilities and external works and drainage. The major element is the oew production building which is of structural steel and insitu reinforced concrete construction, finished with cladding and flexible metal decking. The technical block is also structural steel but with precast concrete floors, decking and clad in featured brickwork and curtain walling. Work has started for completion in 12 months.

Liverpool hospital

TYSONS (CONTRACTORS), Liverpool, has secured £10.5m orders made up of: Nucleus hospital at Broadgreen, Liverpool (£8.6m); refurbishment of Richard Shops throughout the country (£1.4m); and a Habitat store at Kingston-on-Thames (£0.5m).

*

SIR ROBERT McALPINE & SONS has been awarded a contract worth over £3.5m by the Western Regional Health Authority to extend facilities at Queens Hospital, Cirencester. The contract covers construction of two additional blocks with a total floor area of 4,250 sq m, and a boiler house. The larger block is a two-storey building of reinforced concrete frame construction to first-floor level with steel frame and trussed roof above. This will accommodate the outpatients and X-ray departments, a major treatment suite—surgical and medical—and children's wards. The other building, a single-storey ward block, also of reinforced concrete frame construction, will provide facilities for the elderly and mentally ill. The contract is due for completion in January 1988.

£12m batch for Longley

JAMES LONGLEY & CO has won contracts worth £12.5m for projects in Berkshire, Buckinghamshire and Hampshire. Work in Maidenhead includes a £5.3m construction of four high technology blocks totalling 120,000 sq ft for the Water Authrity Superannuation Fund, and a £1.6m fitting-out of offices and warehouse to provide a new UK headquarters for Northern Telecom Communication Systems Group.

For Milwards Shoes in Reading, Longley is building a £2.9m headquarters complex, which includes offices, warehouses and residential units together with refurbishment of listed properties. A £1.9m redevelopment of a 200 year old country house is underway in Marlow for the Merchant Navy Ratings Pension Fund Trustees.

Under a design and build contract, a two-storey high tech industrial scheme for Ebury Developments has begun at Hook, Hampshire, on a fast track programme of 32 weeks.

CRENDON
Hi-Spec Structures for Hi-Tech Industries
CRENDON STRUCTURES LIMITED
Long Crendon, Aylesbury, Bucks. HP18 9BB
Tel: Long Crendon (0844) 208481
Telex: 83249

Development planned at Glaxo

TAYLOR WOODROW MANAGEMENT CONTRACTING has been awarded a contract to manage the £45m development of the 23 acre Greenford office complex jointly occupied by Glaxo Pharmaceuticals and Glaxo Group Research. Glaxo is this year celebrating its 50th anniversary on this site, and several of the buildings date back to 1935.

TWMC's project entails the demolition of 38 buildings—with a gross floor area of 260,000 sq ft—the construction of six replacement buildings—with a gross floor area of 180,000 sq ft—and the refurbishment of most of the remaining buildings, both internally and externally.

Many more parking spaces will be provided for the 2,200 staff both by re-arranging the surface parking and the construction of a three-storey car park. The business operations of Glaxo will continue throughout the duration of the project. A major part of the work covers the installation of complex environmental services to maintain strict controls on the atmosphere and temperature.

Work commences in April for completion of the entire project in 1990.

*

Contracts worth more than £3.5m have been awarded to TARMAC CONSTRUCTION. The largest, at nearly £1.6m, is for building an office block and site works at Telford Business Park, Shropshire, for Telford Development Corporatioo. Work has started and is scheduled for completion in a year. Other cootracts include improvements to 130 homes at Birkenhead, for Wirral Borough Council (£1m); six edvance factories at Glenrothes, Fife, for Glenrothes Development Corporation (£360,000); a management fee cootract for an observation platform, lift and refurbishment at Halton Chemical Museum, Widness, for Halton Borough Council (£300,000); infrastructure for e new factory developmentat Newhouse Farm, Chepstow, Gwent, for Tarmac Properties (£297,000); and structural work at London Wall car park, for the Corporation of London (£207,000).

*

BOVIS has been awarded additional work to fit out the new Lloyd's of London building. Some of this work has begun and the remainder, together with completion of main works, will be carried out during the early part of 1986. This will allow Lloyd's to begin underwriting in the new building in April 3986 as originally scheduled.

Own land in the great American West

America. More than two hundred years old and still waiting for many people to claim their share of it. For themselves and for the future of their families. Imagine one of the most beautiful landscapes in the world and what it could mean to have part of it for your own.

What more perfect way to stake your claim than by purchasing five glorious acres in the Colorado Rockies for yourself and those you love. At Sangre de Cristo Ranches you can still own a sizable piece of America at a very modest cost and on easy credit terms. This is scenic land in one of the fastest-growing states in the USA, a piece of the unspoiled, romantic old Southwest.

Sangre de Cristo Ranches is a subsidiary of Forbes Inc., publishers of the highly respected American business and financial publication, FORBES MAGAZINE. The land being offered for sale to you is a part of the huge 256,000-acre Forbes Trinchera Ranch, one of the oldest of the remaining big ranches in America. A sportsmen's paradise in all seasons for hunting, fishing, riding, hiking and boating. With fine skiing less than 50 miles away, the ranch ranks among the world's best-known preserves for deer, elk, game birds and other wildlife.

You can own majestic mountain views of Trinchera Peak and Mount Blanca (higher than Pikes Peak) which stand as silent sentinels protecting the rolling foothills and valley that make up our Sangre de Cristo Ranches.

The land lies about 200 miles southwest of Denver, just east of US Route 160 . . . the Navajo Trail. Its town is historic Fort Garland, the last command of Kit Carson.

For as little as $4,500 total cash price you can purchase your own 5-acre Sangre de Cristo Ranch, with payments as low as $45 monthly.

Important money-back and exchange privileges backed by FORBES MAGAZINE's distinguished reputation have contributed much to the great success of this unusual land offering.

Five or more acres of this land can be yours. Easy credit terms available.

For complete details on this wonderful opportunity, without obligation, please fill in and mail coupon today.

FORBES EUROPE
SANGRE DE CRISTO RANCHES INC.
P.O. BOX 88
LONDON SW11 3UT
ENGLAND

Name
Address
Telephone

Obtain the Property Report required by Federal law and read it before signing anything. No Federal agency has judged the merits or value, if any, of this property.
Equal Credit and Housing Opportunity

Company Notices

PRESIDENT STEYN GOLD MINING COMPANY LIMITED
(Incorporated in the Republic of South Africa)
NOTICE OF GENERAL MEETING

By order of the board
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
Secretaries
per C. R. Bull
Divisional Secretary

Registered office: 44 Main Street, Johannesburg 2001
Postal address: PO Box 61587, Marshalltown 2107
January 6, 1986.

FREE STATE GEDULD MINES LIMITED
(Incorporated in the Republic of South Africa)
NOTICE OF GENERAL MEETING

By order of the board
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
Secretaries
per C. R. Bull
Divisional Secretary

Registered office: 44 Main Street, Johannesburg 2001
Postal address: PO Box 61587, Marshalltown 2107
January 6 1986

PRESIDENT BRAND GOLD MINING COMPANY LIMITED
(Incorporated in the Republic of South Africa)
NOTICE OF GENERAL MEETING

By order of the board
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
Secretaries
per C. R. Bull
Divisional Secretary

Registered office: 44 Main Street, Johannesburg 2001
Postal address: PO Box 61587, Marshalltown 2107
January 6 1986

WESTERN HOLDINGS LIMITED
(Incorporated in the Republic of South Africa)
NOTICE OF GENERAL MEETING

By order of the board
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
Secretaries
per C. R. Bull
Divisional Secretary

Registered office: 44 Main Street, Johannesburg 2001
Postal address: P.O. Box 61587, Marshalltown 2107
January 6 1986

WELKOM GOLD MINING COMPANY LIMITED
(Incorporated in the Republic of South Africa)
NOTICE OF GENERAL MEETING

entitled to attend and vote at the meeting.

By order of the board
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
Secretaries
per C. R. BULL
Divisional Secretary

Registered office: 44 Main Street, Johannesburg 2001
Postal address: P.O. Box 61587, Marshalltown 2107
January 6 1986

RAND MINES
EAST RAND PROPRIETARY MINES, LIMITED
(Incorporated in the Republic of South Africa)
Registration No. 01/00773/06

RIGHTS OFFER

The directors of East Rand Proprietary Mines, Limited announce that the company intends to raise R47.1 million by way of a rights offer of shares of R1 each in the ratio of one new share for every one share already held at the close of business on 10 January 1986 ("the record date") at a subscription price of R8.50 per share. The rights offer will be underwritten by Rand Mines Limited and Barclays National Merchant Bank Limited.

A circular to members giving full information in relation to the rights offer will be posted on 17 January 1986 to members registered at the close of business on Friday, 10 January 1986. Copies of the circular to members will be available for inspection by members and holders of share warrants to bearer at the company's registered office and at the offices of the company's United Kingdom secretaries and Paris correspondents from Friday, 10 January 1986. Members are advised to exercise caution in dealing with their rights prior to receipt of the abovementioned circular.

Johannesburg
3 January 1986

Registered office: 18th Floor, The Corner House, 63 Fox Street, Johannesburg 2001 (PO Box 62370 Marshalltown 2107)

United Kingdom secretaries: Charter Consolidated Services Limited, 40 Holborn Viaduct, London EC1P 1AJ

Paris correspondent: Crédit Lyonnais, S.A., 19 boulevard des Italiens, Paris, 85002

Transfer secretaries: Rand Registrars Limited, Corner Northern Parkway and Handel Road, Ormonde 2091 (PO Box 82549, Southdale 2135) Republic of South Africa

United Kingdom registrars, transfer and paying agents: Hill Samuel Registrars Limited, 6 Greencoat Place, London SW1P 1PL, England

Merchant bankers to the issue:

BARCLAYS INTERNATIONAL MERCHANT BANK LIMITED
(Incorporated in the Republic of South Africa)
(Registered Bank) Reg. No. 67/00873/06

Member of the Barlow Rand Group

P.S.A. PEUGEOT-CITROEN
French Francs 175,000,000

9¼% Bonds due 1987

We inform the bondholders that the redemption instalment of FF 85,860,000 nominal due on February 1st, 1986 has been satisfied by a drawing on December 9th, 1985 in Luxembourg.

The 9,332 bonds will be reimbursed at par on February 1st, 1986, coupon due on February 1st, 1987 and following attached, according to the modalities of payment on the bonds.

The numbers of such drawn bonds are as follows: 22,406 to 31,737

Amount outstanding after February 1st, 1986: FF 58,360,000.

The Principal Paying Agent,
SOCIETE GENERALE ALSACIENNE DE BANQUE
15, Avenue Emile Reuter
Luxembourg

REPUBLIC OF ITALY
ECU 300,000,000 FLOATING RATE NOTES DUE 1992

In accordance with the terms and conditions of the Notes, notice is hereby given that for the three months period from December 30, 1985 to March 27, 1986, the Notes will carry an interest of 9⅛% per annum (and not 9¼% as stated in our announcement of December 30, 1985).

The relevant interest payment date will be March 27, 1986 and the coupon amount per ECU 10,000 will be ECU 237.14 and per ECU 100,000 will be ECU 2,371.38.

BANQUE GENERALE DU LUXEMBOURG
Société Anonyme
Agent Bank

Contracts & Tenders

THE MINISTRY OF EDUCATION IN THE YEMEN ARAB REPUBLIC

INVITES OFFERS FOR:

Printing and reprinting school text books, production of different multicoloured teaching posters, supply of equipment and chemicals for laboratories as well as teaching materials, supply of white and coloured chalks and school furniture sets for primary, preparatory and secondary schools. (Quotations for parts of any of the tenders are not allowed.)

Particulars for the tenders as well as documents for the offers can be obtained at:

The Yemen Embassy, 41 South Street, London W1 against a fee of US$100 for each document of the above seven tenders

Closing date for the tender will be the 1st February 1986 at 9.00 am Sana'a local time

PRESIDENT BRAND GOLD MINING COMPANY LIMITED
(Incorporated in the Republic of South Africa)
NOTICE OF SCHEME MEETING
IN THE SUPREME COURT OF SOUTH AFRICA
(Witwatersrand Local Division)
In the matter of the application of:
PRESIDENT BRAND GOLD MINING COMPANY LIMITED

WEBBER, WENTZEL & CO.
11th Floor
Standard Bank Centre
78 Fox Street
JOHANNESBURG
2001
6 January 1986

WESTERN HOLDINGS LIMITED
(Incorporated in the Republic of South Africa)
NOTICE OF SCHEME MEETING
IN THE SUPREME COURT OF SOUTH AFRICA
(Witwatersrand Local Division)
In the matter of the application of:
WESTERN HOLDINGS LIMITED

WEBBER, WENTZEL & CO.
11th Floor
Standard Bank Centre
78 Fox Street
JOHANNESBURG
2001
6 January 1986

FREE STATE GEDULD MINES LIMITED
(Incorporated in the Republic of South Africa)
NOTICE OF SCHEME MEETING
IN THE SUPREME COURT OF SOUTH AFRICA
(Witwatersrand Local Division)
In the matter of the application of:
FREE STATE GEDULD MINES LIMITED

WEBBER, WENTZEL & CO.
11th Floor
Standard Bank Centre
78 Fox Street
JOHANNESBURG
2001
6 January 1986

PRESIDENT STEYN GOLD MINING COMPANY LIMITED
(Incorporated in the Republic of South Africa)
NOTICE OF SCHEME MEETING
IN THE SUPREME COURT OF SOUTH AFRICA
(Witwatersrand Local Division)
In the matter of the application of:
PRESIDENT STEYN GOLD MINING COMPANY LIMITED

accompanied by proof of appropriate authority and handed to the chairman of the meeting not later than ten minutes before the meeting is due to commence. The vote of the senior of joint members—for that purpose seniority shall be determined by the order in which the names of the joint members stand in the company's register of members—who tenders a vote in person or by proxy will be accepted to the exclusion of the other joint members.

In terms of the Order of Court the Chairman will report the result thereof to the above Honourable Court on 4 February 1986. The Scheme of Arrangement is subject to its being sanctioned by the above Honourable Court and to the conditions stated in clause 8 of the Scheme of Arrangement.

WEBBER, WENTZEL & CO.
11th Floor
Standard Bank Centre
78 Fox Street
JOHANNESBURG
2001
6 January 1986

SAVE & PROSPER FINANCIAL SECURITIES FUND

Coupon 129 falls due for payment on 15th January, 1986 at a rate of 0.83p per Financial Securities Fund Unit. Coupons should be presented to the Royal Bank of Scotland PLC, Lombard Street Office, P.O. Box 412, 24 Lombard Street, London, EC3P 3DE, from whom listing forms can be obtained. Coupons must be lodged by an authorised depositary and left three days for examination.

Clubs

EVE has outlived the others because of a policy of fair play and value for money. Supper from 10-3.30 am. Disco and top musicians, glamorous hostesses, exciting floorshows. 189, Regent St. 01-734 0557

TECHNOLOGY

Isotope enrichment on the boil

David Fishlock reports on laser separation techniques using uranium vapour

PLANS FOR a new and highly adaptable source of commercial isotopes for industry and medicine are being hatched by a US Government laboratory in California. It believes it can turn a world lead in the laser enrichment of uranium and plutonium to advantage for other isotopes in short supply.

Dr Jim Davis, who leads the laser enrichment programme at Lawrence Livermore National Laboratory, takes the view that enrichment of almost any other isotope by his process will be easy compared with enriching uranium and plutonium. He is confident that the tunable laser systems with which he separates isotopes of these two metals can be retuned to new wavelengths, once the uranium demonstrations moves into the commercial phase.

High on his target list is mercury, the vapour of which is used in the familiar fluorescent lamp. According to scientists with the US lighting company GTE Lighting, its lamps could be appreciably more efficient if only they could obtain commercially certain isotopes of mercury.

Other commercial possibilities lie with gadolinium, needed in nuclear fuel, and for a new medical test on bone tissue, but currently in very short supply.

A tunable technique for isotope enrichment could find many commercial outlets, and could offer a healthy competition to the main Western source of stable—non-radioactive—isotopes today, namely the US Government's Oak Ridge National Laboratory in Tennessee.

Oak Ridge uses a large cyclotron "atom-smasher" known as the calutron to make a range of stable isotopes. But the process is painfully slow, and the price is high.

Mercury can be made in this way, starting with gold. The process stands alchemy — the quest to turn base metals into gold — on its head, and the cost is greater than the price of gold.

Dr Stuart Burgess, chief executive of Amersham International, buys stable isotopes from the calutron and from its equivalent in the USSR to use as targets for his own cyclotrons, for making radio-isotopes for medical diagnostics.

The tunable technology Lawrence Livermore developed was chosen earlier this year as the next commercial process to be used by the US Government for enriching uranium for nuclear fuel. A rigorous comparison with the big US gas centrifuges under development as the alternalive technology had shown clearly that the laser process held greater economic promise.

Lawrence Livermore scientists bava developed their technology since 1972, from ideas originally explored in Israel and in the Avco-Everett laboratories in the US.

Isotopes are atoms of the same atomic number and therefore the same chemical properties, but of different mass (atomic weight). Uranium, for example, is a mixture of three isotopes; mercury a mixture of seven. They can be separated with difficulty by amplifying their slight differences in physical properties.

The later process favoured at present is called Avlis—Atomic Vapour Laser Isotope Separation. The first step is to boil the natural elements to provide a vapour on which the laser beams can go to work.

Avlis exposes this vapour of mixed isotopes to beams of coherent or "ordered" light, tuned to a highly specific wavelength (where ordinary light consists of many wavelengths). When the laser is tuned to the wavelength which excites a particular isotope, and the mixture is illuminated with its beam, the designated isotope is energised in a way that can distinguish it readily from the rest of tha vapour.

In enriching uranium the aim is to ionise the uranium-235 isotope, which represents only about 0.7 per cent of the atoms in natural uranium metal. The ionised atoms can then be drawn from the bulk of the vapour by electrically charged plates, and condensed as enriched uranium.

In fact, it requires irradiation of the vapour by four different wavelengths of visible laser light, to raise an atom of uranium-235 to a self-ionising state.

Lawrence Livermore's Avlis process uses dye lasers pumped by powerful copper-vapour lasers to generate each of these four wavelengths. The electrical efficiency of the lasers is high but they have other drawbacks which the scientists have reduced by clever optical engineering.

The result is a complex optical system comprising about 4,500 optics. Outputs from six copper-vapour lasers are multiplexed and delivered to the dye lasers at six times the pulse rate of a single laser.

At present the $72m (£50m) laser demonstration facility built by Dr Jim Davis delivers more than 300w of laser power for enrichment. But his target is 1.5 kw by the end of next year, and 10 kw by 1988.

The laser demonstration facility is the precursor of a commercial uranium enrichment operation expected to cost about $1bn, probably to be built at one of the present US enrichment factories. Dr Davis's task is to demonstrate a single module of the commercial-scale process, by 1987.

If he is successful, the uranium process is expected to shift quickly into the commercial sector, to meet the demand for enriched nuclear fuel.

Britain's Atomic Weapons Research Establishment is showing interest in using Avlis to free plutonium -239 from other isotopes which interfere with its efficiency as a nuclear explosive.

According to Lawrence Livermore scientists, Avlis is a universal process for isotope separation, capable of being tuned to most elements and their isotopes. The existing laser system can in theory separate the isotopes of 48 elements.

By changing the orange-red dye laser light to its second, third or fourth harmonic, the rest of the periodic table can he tackled, they say.

Green and yellow light beams from copper-vapour lasers are the primary energy source for the Avlis process.

The 300-tonne separator used to demonstrate large-scale enrichment of uranium-235. Pictures courtesy of Laurence Livermore National Laboratory.

'Designer' wallpaper by computer

DECORATING ENTHUSIASTS may be able to design their own wallpapers using a computer screen at their local do-it-yourself stores, if an idea backed by Prelnde Technology, a venture capital company in Cambridge, comes to fruition.

The idea encompasses a varient on ink-jet printing, in which ink is squirted at high pressure under electronic control at paper. Tha technique bas become established in recent years in high-speed printers nsed in offices.

Prelude, set up nearly a year ago by Cambridge Consultants, a contract-research company in Cambridge, and a group of pension funds, is examining the possibility of mounting several hundred ink jets over a large area.

The jets could be made to impregnate patterns on large areas of fabric, such as tiles and wallpapers.

In a wallpaper factory, a manufacturer could turn out large quantities of coated paper to the sama specification. Technicians would switch on the ink-jet machine at the end of a long production run.

Under computer control, the hardware would produce a series of different patterns for specific quantities of paper.

In this way, the manufacturer could rednce stocks. Tha company could turn out designs virtually to wholesalers' orders, rather than having huge amounts of wallpapers of different patterns sitting in warehouses.

In another possibility, the large ink-jet machines could be in shops. At the press of a few buttons, bouseholders could decide on tha patterns they want, instructing the equipment to print the design of their choice on the blank fabric.

The idea of the "multi-array" ink-jet machines has heen proposed by staff at Cambridge Consultants. Prelude is backing the development with an initial investment of £50,000.

Eventually, says Dr Bob Hook, Prelude's managing director, investment of up to £1.5m might be required. Some of this could come from industrial partners which want a stake in the new venture.

This development is one of four technical ideas that Prelude is backing. The partners in Prelude, which bas a venture-capital fund of £5m, include Equity Capital for Industry, a City-based financial group, and the pension funds of British Rail, British Gas and the water anthorities.

Prelude has injected £250,000 into Qudos, a Cambridge venture set up to design specialised microchips. It is investing £360,000 in Linear Instruments, a small company based in Bishops Stortford, Herts, which makes laser interferometry devices which measure distances highly accurately.

The final investment, of £250,000, is in a small concern that plans to make health-care products. Prelude is keeping the details secret because it thinks the coocern has a lead on competitors.

Cambridge Consultants decided to enter the venture capital business, says Dr Paul Auton, its managing director, to follow through with its general aims of attempting to introduce technical ideas into manufacturing industry. The company has a staff of 200, with annual sales of £6m.

Prelude grew out of Cambridge Enterprises, a subsidiary of Cambridge Consultants set up in 1981 to develop novel ideas on the basis of technologies licensed from other companies.

Many of the ideas that Prelude will take up should emanate from within Cambridge Consultants itself, Dr Auton says. He hopes his staff will come up with three ideas a year that Prelude will consider.

If they are worth investing in, then the employee will leave Cambridge Consultants to pursue a new career.

He said: "A certain amount of staff turnover is good for our business. If one of our employees is an entrepreneur and wants to start a new company, then we will help him to do it."

Design and Construct
Norwest Holst

Electrical tester from Ferranti

FERRANTI is selling novel testing hardware to check on the electrical systems of cars. Austin Rover is installing the equipment, worth more than £500,000, on a production line at its Cowley factory.

Vehicles on the production track are provided with a bar code which details the type of electrical equipment fitted, lighting systems and ignition control for instance.

A bar code reader by the side of the production line obtains this information, which triggers a specific repertoire of electrical tests controlled by a microcomputer.

Results from the checks are fed back to the computer. An operator can monitor the results using a keyboard and display screen. General Automation, Siemens and Autosense competed with Ferranti for the contract with Austin Rover.

Design package for PC-AT

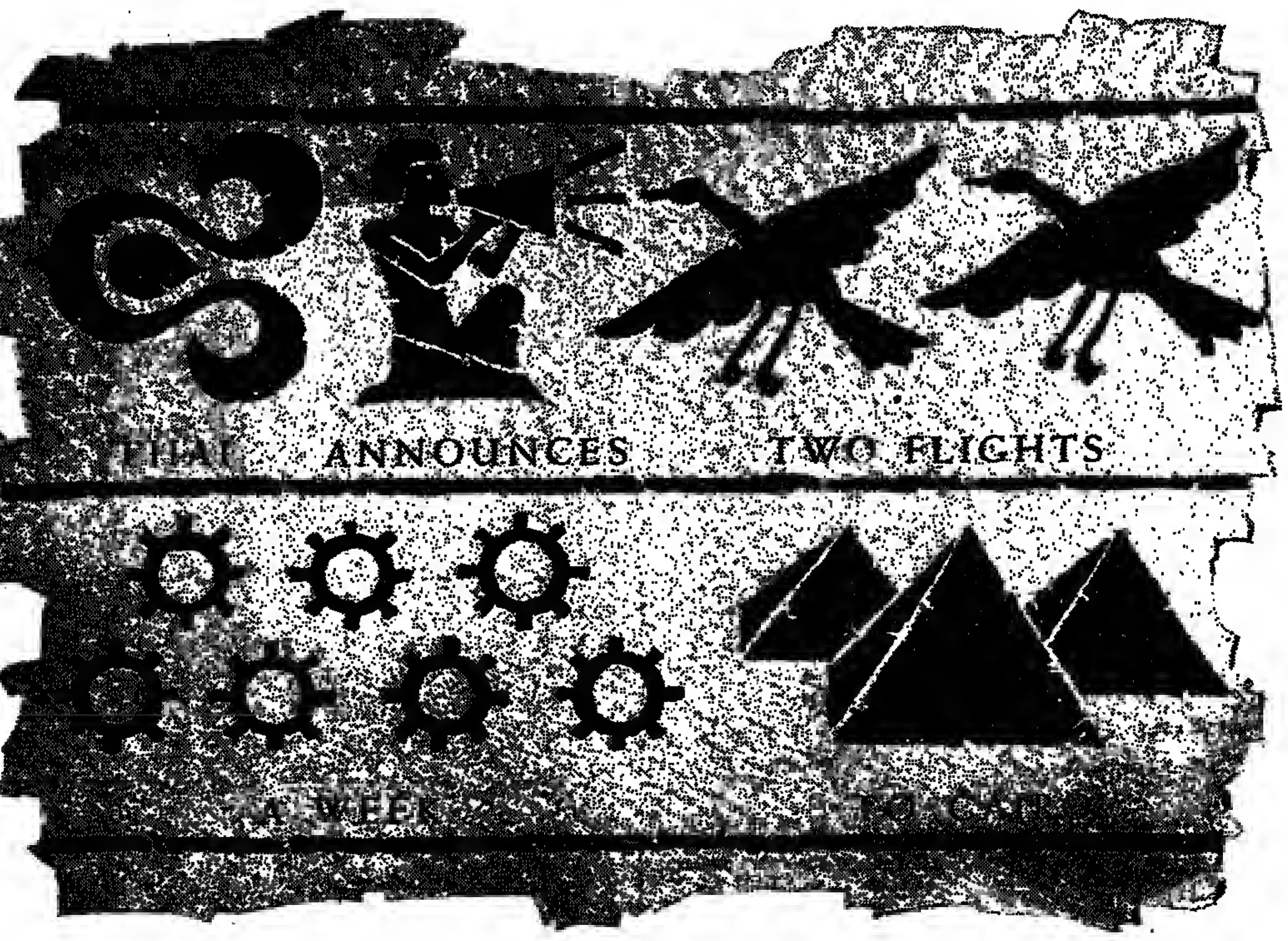
IN COMMON with many other companies in the computer aided design business, Computervision, one of the market leaders, has produced an electronic design hardware/software package based on the IBM PC-AT personal computer.

Known as the Personal Engineer, the system includes a model AT machine with 512,000 bytes of memory, a 20 megabyte hard disk store, floppy disk and Computervision's own graphics controller and colour display.

The system allows electronics engineers to undertake logic design and to originate, edit and plot symbols and schematics. With a hardware addition called Simboard, circuit simulations can be carried out.

Personal Engineer is fully compatible with Computervision's other systems, using appropriate interfaces the company will supply.

More on 0256 58133.



Now Thai can take you by DC-10 to the land of the Pharaohs. Our twice-weekly flights, via Muscat, depart from Bangkok every Tuesday and Friday at 2330. And fly out of Cairo to Bangkok each Wednesday and Saturday. So now you can visit one of the oldest civilizations on earth with one of the most civilized airlines in the sky.

Thai
Smooth as silk across five continents.

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Measuring success

Takeovers: at best an each way bet

BY CHRISTOPHER LORENZ

LORD LEVERHULME, one of the ancestors of the Unilever empire, was a great advocate and practitioner of advertising. Yet he is credited with the legendary statement that half of the money he spent on it was wasted—he just didn't know which half.

Few takeover advocates, and aven fewer of this winter's mega-bid practitioners, would be rash enough to admit that a similar maxim applies to mergers and aquisitions. Yet nearly 20 years of intense research on both sides of the Atlantic has produced a consensus view among academics that, on average, takeovers are at hest an each-way bet.

Each predator can shorten his own particular odds through careful choice, planning and execution (both during and after the takeover), but the fact remains that, according to a wide variaty of yardsticks, only half the consummated takeovers of puhlic companies in Europe and the United Statea could be described as in any way successful. One can be wise after the event, of course, but by then the damage has been done. In the words of Professor Julian Franks of the London Business School, despite all the research, "it is remarkably difficult to predict whether a merger will be a good one or a lemon."

Significantly for the spate of billion-pound and -dollar bids that have been leunched in London and New York during the past few weeks, the 50-50 guidelines seems to apply to takeovers made during sampie periods as short as two years, as well as to the much larger numbers which occur over more statistically respectable periods of eight or 10 years.

So—assuming that they first win control of (respectively) Union Carbide, Texas Oil and Gas, Imperial Group and Plessey — Samuel Heyman (of GAF), David Roderick (of US Steel), Lord Hanson (of Hanson Trust), and Lord Weinstock (of GEC) sbould stand prepared. So should Jack Welcb of GE and Sir Terence Conran of Habitat-Mothercare in their agreed mergers with RCA and British Home Stores.

Even allowing for tbe proven prowess which most of these bardened predators bave shown in digesting past takeovers, there is a fair chance that some of their communal cull will prove tougher and less tasty than expected. Whether their intention is to develop their victims or dismember them (as with GAF-Union Carbide), at least one may get stuck in its new owner's gullet, causing both embarrassment and pain.

For predators and stock markets alike, a second key finding of the latest academic research should also weigh heavily in tha judgment of whether a particular hid (at a particular price) is likely to produce the promised pay-off.

Since the late 1960s, when conglomerates began to fall into disrepute, It has been thought that tha "relatedness" of a victim'a business with that of the acquiror was a prime success factor: the more related, the better. But, at least for certain industries, this "rule" has now been heavily qualified, if not discredited.

Given all the difficult methodological prohiems involved—the least of which is the definitiou of "success"—it is remarkable that there is any measure of agreement ahout the hit rate of acquisitions, let alone about the whys and wherefores. The subject has been researched at length by hordes of academics from a wide range of disciplines whose only common characteristic is a ferocious distrust of each other's methods.

The degree of consensus between them does not extend far beyond the 50-50 guideline. The majority agree that the victim's sharebolders usually benefit far more from takeover than do the acquiror's, but on almost all other counts the studies are out of line. Time and time again, their proponents' claims to conclusiveness run up against whether the myriad of necessary adjustments and interpretations have been made correctly. Acquisition analysis is very much more of an art than a science.

There are four hasic "schools" of studies: accounting, economic, financial and managerial. The first two have produced the most negative findings, while much of the financial research plumbs straight along the 50-50 line. The managerial studies have been less concerned with aggregate findings than with detecting the types of takeover most likely to succeed or fail.

● **Accounting.** Several UK studies in the 1970s examined post - takeover profitability (return on investment) for between three and eight years. Some found that few mergers raised profitability, and that the overall effect was neutral. Others found a generally negative effect, especially several years after the takeover. Such studies are particularly fraught with problems, ranging from the difficulty of detecting the impact of a small victim on the performance of a large acquiror, to all sorts of other accounting, indexation and risk-adjustment issues. They have not been popular in the US.

● **Economic.** One of the most recent UK economic studies (Cowling et al*) failed to find any evidence that a series of big mergers in the late 1960s had, by the mid-1970s, prodnced significant efficiency gains relative to non-merging competitors. "In many cases efficiency has not improved; in some cases it has declined," the report concluded. But it did find that market power bad increased in most cases.

● **Financial.** This is by far the largest body of work. Most of it consists of "event studies" covering eight years or more of share price changes in the few weeks or months around the time of takeover. The majority finding is that the victim's shareholders gain substantially in percentage terms: bid premiums have fluctuated between an average of 20 and 40 per cent, and are currently rising, especially in the US.

"I thought you said buying Amalgamated would be good for our share price"

Until the recent spate of US cases where the acquiror'a share price has immediately suffered from tha bid, the predator'a shareholders were usually shown as having either gained very alightly or, on average, not lost. Calculated in cash terms, in order to iron-out discrepancies in the relative size of predator and victim, some studies have shown equal short-term returns going to both sides.

Before the eruptiou of Wall Street's current worries, several ionger-term studies bad shown that, in the three to five years after takeover, acquirors' share prices had not, on average, shown any "abnormal" deviation from the market as a whoie. Roughiy half the acquirors had outperformed the market, and half had underperformed it. This was taken as implying that, through the stock market'a eyes, half the takeovers were successes and half were failures. The 50-50 rule applied, in other words.

But a number of recent studies in the US and UK, some of which reach hack as far as the 1960s, ahow evidence of systematic falls in acquirors' share prices within a year after takeover. Michael Jensen and Richard Ruback, two of America's most experienced academics in the field, say that "these . . . negative returns are unsettling because they are inconsistent with market efficiency and suggest that changes in stock price during takeovers overestimate the future efficiesncy gains from mergers."**

In other words, both the market and the acquirors may be getting it wrong. Though many market analysts proffer the simple explanatiou that such delayed changes in sentiment (upward as well as downward) merely reflect new information about the performance of the takeover, a bighly technical debate is still raging about these findings, and the case is not yet proven either way.

Acceptance of the argument that share prices are a reliable indicator of takeover performance clearly rests on a number of difficult jndgments. One is the question of how quickly the share price of the merged entity ceases to reflect the impact of the acquisition (if, indeed, it ever did in view of the relative sizes of the two companies).

More fundamentally, one has to assume that the stock market can and does correctly assess the future profitability of the combined enterprise. Here, sceptics abound, not only among managers of the companies whose share prices are in qnestion, hut also in the academic world itself. A common allegation, for exampie by Cowling, is that share valuations tend to fluctuete far more violently than ia justified by changes in the underlying asset values.

Yet modern financial theory, backed by extensive empirical testing, suggests that stock markets ara indeed broadly, if not perfectly, efficient. In the words of Professor Paul Marsh of the London Business Schooi, "share prices are the only market price availabie. They do look very far forward — if they did not, the market would systematically get prices wrong. All the evidence on share price behaviour indicates that it does not."

● **Managerial.** The most influential studies were conducted over 12 years ago by John Kitching†. Surveying mergers througbout Europe, be concinded (again) that about balf were successful, a fifth were "not worth doing," and the rest were failures. He reported that tha results of an acqnisition do not become apparent until at least two years after It takes place. And he prodnced a set of findings on the benefits of "relatedness" which anticipated a whoie generation of broader American diversification studies.

Two of his main findings were that the less related the acquisition, tbe more risky it was; and that it was more risky to move into new markets than into new technology (provided that both were not done together).

Since 1979, however, the relatedness rules have been challenged on the grounds that the high profitsbility of companies with related businesses bad less to do with the general principle of reiatedness itself than with the fact that most "related" companies have tended to be in attractive industries. In one sense, this is perfectly obvious. But it alters the prescription for successful takeovers; what appeared to be a general rule for all acquisitions now only applies to some of them, it seems.

"The concept of relatedness doesn't help companies in steel, paper or textiles, yet they're the very companies which most need to diversify," says Professor Philippe Haspeslagh of Insead, the French business school.

Academics and consultants were now searching for new categories of "relatedness" which explain the success of companies such as Hanson Trust in making acquisitions which under the old definitions would have been classified in the discredited "conglomerate" category.

Tim Breene, a partner of McKinsey and Co, the management consultancy, says that industry and market-relatedness — the traditional categories — are inadequate. He points out that "relatedness of managerial task" has become a key success factor in most takeovers. Unlike the American conglomerates of the 1960s, Hanson tends to confine its attentions to companies with a specific set of attributes, so that the management process is always similar.

Just as managerial researchers are struggling to adjust to the takeover environment of the mid-1960s, so is th financial school — and in a way which may narrow the gap between the two schools' field of operations.

As US bid premiums have grown in recent years, Wall Street has increasingly shown its dis approval by cutting the share price. When such bids have nevertheless gone ahead, as with Dupont's for Conoco, and US Steel's for Marathon Oil, there have been outbursts of complaint — from members of Congress and the Securities and Exchange Commission — that management is abusing its responsibilities to shareholders.

Whether the explanation is management hubris or the stock market's own inability to foresee the eventual outcome of these acquisitions is a matter of intense debate in New York and Washington. What is sure is that some US financial researchers are now turning their attention to what motivates managements to make certain bids. At stake is the question of whether many takeovers are being motivated more by management's instinct for self-preservation than by the best interests of the shareholder. It may take another decade of research but watch this space.

* *Mergers and Economic Performance.* By Cowling K., Stoneman P., Cubbin J., et al. CUP, 1979.

** *The market for corporate control.* In *Journal of Financial Economics 11 (1983). North Holland Publishing.*

† *Kitching, J. Acquisitions in Europe: Causes of Corporate Successes and Failures. Business International (Geneva)* 1973.

Management abstracts

Decreasing computer downtime. T. M. Ross in Journal of Information and Image Management (US), June 85 (2½ pages)

Offers a string of suggestions on how to decrease the downtime of computer systems, from hiring full-time service engineers to covering machines with dust cloths when not in use.

Overtime work and industrial accidents. M. Schuster + S. Rhodes in Industrial Relations (US), Spring 85 (12½ pages)

Reviews literature on industrial accident behaviour; reports the results of research from three manufacturing organisations which supports the hypothesis that overtime is related to accident incidence, and overtime worked on consecutive days causes greater accident severity (in terms of work days lost).

Cutbacks, lay-offs and other obscenities. L. T. Perry in Business Horizons (US), July/August 85 (8 pages).

Argues that companies in decline which are contemplating employee cutbacks, lay-offs or redundancies should consider alternatives—such as job sharing, pay cuts/freezes, early retirement — and encourage greater employee participation in deciding which alternative(s) to adopt. Looks particularly at the difficulties faced by employees with company/industry-specific skills, who have greater wishes to remain and are therefore "exploitable."

Making employees feel part of the company. C. Adams in Accountancy (UK), September 85 (1½ pages).

Advocates greater use of share option schemes to motivate employees to work for company growth; examines the characteristics and advantages of fixed value and floating-value employee share schemes.

How to improve staff presentations. R. Wiegand in Business Horizons (US), July/August 1985 (7 pages)

Looks into the reasons some speakers at presentations can be . . . simply dire; gives hints on how to improve presentational skills.

These abstracts are condensed from the abstracting journals published by Anbar Management Publications. Licensed copies of the original articles may be obtained at a cost of £4 each (including VAT and p+p; cash with order) from Anbar, PO Box 23, Wembley HA9 8DJ.

NOTICE OF REDEMPTION

Chrysler Overseas Capital Corporation and Chrysler Corporation, Guarantor

5% Guaranteed Convertible Sinking Fund Debentures due 1988

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Indenture Dated as of February 1, 1968 among Chrysler Overseas Capital Corporation and J. Henry Schroder Bank & Trust Company, as Successor Trustee, $3,116,000 in aggregate principal amount of the above captioned Debentures will be redeemed through operatioo of the Sinking Fund on February 1, 1986 (the Redemption Date) at 100% of the principal amount thereof (the Redemption Price) together with accrued interest to said Redemption Date.

The serial numbers of the coupon Debentures to be redeemed are set forth below in groups from one number to another number inclusive.

M160 through 174	M2995 through 3015	M4931 through 4993	M14816 through 14850	M46106 through 46140	M50225 through 50260	M53920 through 53955
224 through 234	3108 through 3123	5015 through 5030	26216 through 26237	46240 through 46282	51056 through 51112	54856 through 54884
269 through 292	3376 through 3388	5069 through 5133	29967 through 29999	46303 through 46332	51316 through 51367	54936 through 54957
331 through 340	3532 through 3546	5317 through 5334	37681 through 37735	46545 through 46573	51382 through 51410	55408 through 55433
474 through 484	3588 through 3627	5481 through 5505	37746 through 37785	46579 through 46611	51456 through 51483	56560 through 56585
532 through 555	3811 through 3834	5546 through 5575	39421 through 39451	46864 through 46891	51485 through 51580	56864 through 56893
727 through 738	3873 through 3886	5598 through 5616	43215 through 43238	46981 through 47011	51641 through 51671	56904 through 56929
1810 through 1823	3949 through 4000	5719 through 5732	43451 through 43480	47807 through 47850	51693 through 51734	56959 through 56982
2091 through 2122	4089 through 4103	5932 through 5940	43944 through 43971	47901 through 47931	51902 through 51932	57010 through 57038
2226 through 2243	4145 through 4167	5987 through 5999	44536 through 44561	48627 through 48661	52000 through 52055	57051 through 57082
2531 through 2551	4310 through 4363	6143 through 6152	44563 through 44587	48699 through 48727	52057 through 52087	57157 through 57205
2571 through 2585	4383 through 4400	6601 through 6625	44806 through 44855	49227 through 49254	52245 through 52281	58084 through 58132
2645 through 2662	4420 through 4459	11144 through 11164	45587 through 45620	49521 through 49549	52731 through 52770	58629 through 58657
2798 through 2824	4600 through 4615	13351 through 13370	45626 through 45640	49621 through 49664	53301 through 53353	59125 through 59155
2964 through 2981	4701 through 4712	13376 through 13425	45646 through 45659	50052 through 50080	53709 through 53735	59297 through 59345

Interest oo said Debentures to be redeemed shall cease to accrue on and after the Redemption Date and on said date the Redemption Price will become due and payable on each of the Debentures called for redemption.

Payment of the Debentures to be redeemed will be made upon presentatioo and surrender thereof, together with all coupons appertaining thereto maturing subsequent to the Redemption Date, at J. Henry Schroder Bank & Trust Company, One State Street, New York, New York 10015, 6th Floor, Corporate Trust Department or at the option of the holder at the offices listed below:

Deutsche Bank, A.G.
Rossmark 18
Frankfurt/Main
West Germany

Banque Internationale á Luxembourg S.A.
2 Boulevard Royal
Luxembourg, Luxembourg

Sociétè Generale de Banque
3 Mantagne du Parc
Bruxelles 1

S.G. Warburg & Co. Ltd
30 Gresham Street
London E.C.2

Algemene Bank Netherland N.V.
32 Vijzelstraat
Amsterdam, Netherlands

Banca Commerciale Italiana
6 Piazza della Scala
Milan, Italy

Banque de l'Union Européenne Industrielle et Financiere
4 & 6 Rue Gaillon
Paris, 2

Coupons which shall mature on or before said Redemption Date should be detached and surrendered for payment in the usual manner.

Debentures may be converted at the option of the holder thereof into Common Stock of the Guarantor at the price of $42.46 per share. The right to convert Debentures selected for redemption into Common Stock will terminate on February 1, 1986, in accordance with the Indenture under which the Debentures were issued. For all purposes of the Indenture, the Debentures called for redemption in accordance with the foregoing will be deemed to be no longer outstanding on or after February 1, 1986, and all rights with respect thereto, except as stated above, will cease as of the close of business on said date.

Chrysler Overseas Capital Corporation
By: **J. Henry Schroder Bank & Trust Company, As Successor Trustee**

Dated: December 31, 1985

Under the Interest and Dividend Tax Compliance Act of 1983, we may be required to withhold 20% of any gross payments made within the United States to certain holders who fail to provide us with, and certify under penalties of perjury, a correct taxpayer identifying number (employer identification number or social security number, as appropriate) or an exemption certificate on or before the date the securities are presented for payment. Those holders who are required to provide their correct taxpayer identification number on Internal Revenue Service Form W-9 and who fail to do so may also be subject to a penalty of $50. Please therefore provide the appropriate certification when presenting your securities for payment.

Nearly three million readers reach for *The New York Times* every day to find out what's going on in the world. That makes it one of America's largest selling newspapers.

Few of its readers realize, however, that a small company in Virginia plays a major role in helping the paper get the latest news into the hands of its readers.

The Times has a state-of-the-art printing set up which has been fundamental to its growth and success. The national edition is put together each day in New York City. Then, thanks to a high speed laser scanner designed in Virginia by Crosfield Data Systems Inc. (formerly known as LogEscan Systems Inc.), each page is transmitted to a satellite 22,300 miles above the earth and the information is then beamed to printing plants in five states across the nation.

But this is only one of Virginia's success stories in the rapidly growing field of communications.

What makes it such a good place for these companies? Virginia has one of the best educated work forces in the country. It's a right-to-work state. And so well managed, it has earned a AAA bond rating.

If this sounds good to you, contact Denis Rufin, Director for Europe, Virginia Department of Economic Development, 479 Avenue Louise, BTE 55, B-1050, Brussels, Belgium. Telephone: 648-6179. Telex: 26695.

Virginia
We're Doing Some Of America's Most Exciting Work.

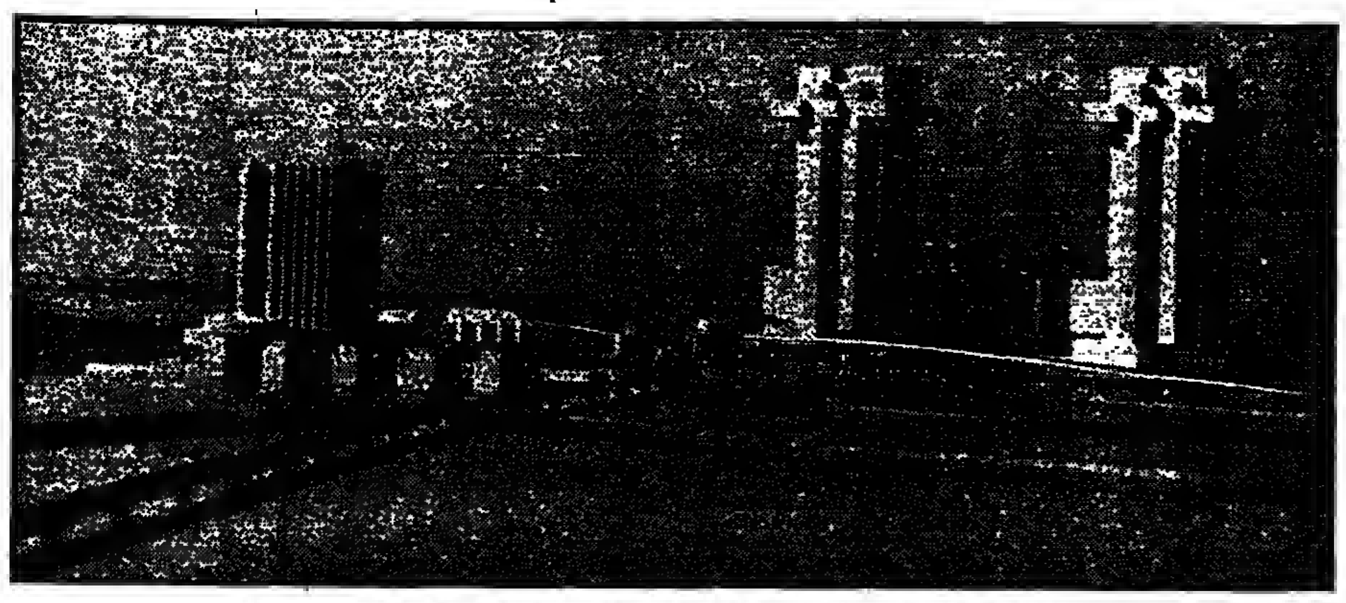
هكذا من الأصل

THE ARTS

Architecture

Colin Amery

Chance to change London's working life



Model of the Thames Market Centre, proposed for a key Docklands site

It has taken an inordinately long time for the potential of London's Dockland to be realised; indeed, the real value of the area for London and the South East has still not been grasped imaginatively. Only the advent of the large-scale American plans for Canary Wharf on the Isle of Dogs seems to have woken everyone up to the fact that this could be the natural place for the extension and reordering of much of London's working life.

You can tell that something real is happening there when you hear, as I did in the Guildhall the other day, the London Dockland Development Corporation being referred to as "the enemy" of the City. This is a depressing reaction to the future—no plan for the City of London can afford to be so insular that it continues to act as though Dockland does not exist.

As Canary Wharf, under the stern hand of its promoter Mr G. Ware Travelstead, waits for the mandarins of the Royal Fine Art Commission and the passage of a Parliamentary Bill to extend the railway, another large and fascinating scheme is awaiting the pleasure of the LDDC.

The Thames Market Centre is proposed for a key site situated between the Isle of Dogs and the City STOL Airport to be built in the Royal Docks. The intention is to provide a centre for permanent displays of international traders. The architectural concept (by the Sir Basil Spence Partnership) allows for a group of pavilions, each allocated to a trading nation or group of nations. Alongside this honeycomb of pavilions, with roofs suspended from mast-like structures, will be two large towers (160 metres) to supply the extensive office back-up needed by the centre.

The site faces a fine reach of the Thames with Greenwich to the south west, and so there are plans for an hotel (some 90 metres high) and well situated houses, as well as a marina.

It is important that the scale of this project is realised: the site area is some 60 acres, and the building cost estimated to be in the region of £575m—parking alone has to cater for some 6,000 cars.

At present the Brunswick power station, redundant since 1984 and to be demolished, gives the area an architectural scale, as did the Rank/Hovis silos which recently disappeared. One of Dockland's problems has always been its inability to plan convincingly at a scale that suits the majesty of the river and the drama of the wide open spaces. Architecturally, this plan has some of the right scale. It is too early to see what it may look like in detail, but the towering gateway to East London is surely appropriate.

With partial Enterprise Zone status (100 per cent capital allowances and no rates until 1992) this scheme stands a good chance of being developed over the next few years. What remains puzzling is the lack of any commercially sensible plan for Dockland and the curiously random way schemes are considered as they crop up. The LDDC is woefully understaffed to predict the traffic and communications problems of the area and there is little sense of balanced planning.

The Thames Market Centre is seen by the development consortium (backed by financial interest Nevi Baltic plc) as a crucial trade centre for the whole EEC. It is amazing to think that this sort of potential is only two miles from the City. Canary Wharf, this trading centre and many other schemes all depend upon each other and on new communications. It is time that a rational plan for Docklands and the City is creatively discussed by both the LDDC and the City—London cannot afford retrograde piecemeal planning any longer.

Obituary/Christopher Isherwood

Anthony Curtis

The novelist Christopher Isherwood, who died at the age of 81 at the weekend in Santa Monica, California, where he had lived for many years, had the good fortune as a young writer to create one character on whom it is no exaggeration to say he was able to live for the rest of his life.

This was Sally Bowles, who appeared originally in a long story, bearing her name, published as a separate volume by the Hogarth Press before the Second World War. It was then added to a group of kindred stories under the title *Goodbye to Berlin* (1939).

Meanwhile, Isherwood had left England permanent to go to California under the influence of Gerald Heard. He planned to study Hindu thought and philosophy there. He joined the Centre, attached himself to a Swami of whom he later wrote a biography, *My Guru and His Disciple* (1980), and even for a while contemplated becoming a monk. But although deeply committed to his newly found religion, studying and translating the Gita, he continued to write fiction and worked as a scriptwriter in Hollywood. It was here that Isherwood met another British exile, the playwright John Van Druten who turned Sally Bowles and some of the other Berlin material into a play *I Am a Camera* (1951). The title is taken from a sentence explanatory of Isherwood's approach to writing.

The play was a considerable success and was followed by the musical *Cabaret* which later still became a movie in which the character of Sally Bowles became indistinguishable from the ebullient Liza Minelli, and Isherwood had an income for the rest of his life.

This windfall enabled him to give up scriptwriting and concentrate on his own highly personal form of fiction in which simple sentences strike a note of great intimacy with the reader as if to a close personal friend, and a sense of total honesty is sought. This style, witty, observant, nostalgic, exact, was Isherwood's great contribution to modern literature. It is seen at its best, outside the Berlin tales, in novels written in America like *Down There on Visit* (1962) and *A Single Man* (1964), and in his autobiographical writing and books about his own family.

In the freer literary climate of the 1970s, Isherwood decided to make no secret of his homosexuality and in the light of this wrote a revised account of his early life and friendship with W. H. Auden in *Christopher and His Kind* (1977). Isherwood retained a boyish outlook and appearance even as an elderly man, as can be seen in the drawings of him by his great friends, Don Bachardy and David Hockney.

The Mastersingers/Coliseum

Andrew Clements

The first return to the repertory of English National Opera's 1984 staging of *The Mastersingers* on Saturday can be welcomed with only a few qualifications. This revival has had its difficulties. Originally it was to have been conducted by Charles Mackerras and the role of Hans Sachs taken by Gwynne Howell, but both dropped out at an early stage. And though the original production was by Elijah Moshinsky, he appears to have taken no part in the rehearsals this time. For all three, however, the replacements prove to be very much more than just adequate.

David Ritch's restaging has life, colour and only a few loose ends that undoubtedly will be tied in during the run. It is least successful in the coolly conceived first act, happier with the comic confrontation of the second and big set piece of the third. Peter Robinson conducts, with a confident concern to maintain a fair balance between stage and pit; sometimes there is a consequent reduction in the physical presence of the orchestral playing, sometimes the more cautious voices in ensembles are unavoidably overpowered. But many passages are handled with intelligent expressiveness; an occasional lack of grandeur, perhaps most noticeable in the closing minutes of the opera, might well be remedied later.

As Sachs, Norman Bailey's introduction to the cast, while continually absorbing and watchable on its own terms, is not totally convincing in the context of this production style. If the overall approach generally seems to be on the detached side, without the broad-brush bonhomie that characterises many productions of this opera, Bailey's outward-going stagecraft, his ability to fix an audience's attention upon his character with the simplest gesture, sometimes seems to contradict this. While undoubtedly it serves to prevent the opera's central figure in dramatic relief, to some extent it also undermines the coherence of the whole. Yet his use of the text, even with a less ample tone than in former times, remains exemplary, and his treatment of his second-act dialogue with Beckmesser and Eva are perfectly judged, their humour never overdone.

Among other newcomers to the cast Bonaventura Bottone's David stands out for his easily produced singing and forward, personable characterisation. Kathryn Harries's Eva comes and goes, one stiff, rather unresponsive appearance followed by a passage in which both acting and singing seem much more relaxed and ready to respond. Anne-Marie Owens is an attractive, slightly understated Magdalene. Kenneth Woollam repeats his vocally uneven but fundamentally likeable Walther, Alan Opie his fine grained, credible Beckmesser and Sean Rea a Pogner that develops in power and confidence as the evening went on. Rodney Macann's Night Watchman is a brief, clear-toned delight. Chorus work is robust and forthright, orchestral playing generally mature if not always ideally sonorous. But the overall balance of the evening is very much on the credit side.

Alastair Muir

Alan Opie and Sean Rea

Nicholas Nickleby/Stratford-upon-Avon

Charlotte Keatley

There is no doubt that the RSC's inspired and inspiring production of *Nicholas Nickleby* is a landmark in British theatre of the 1980s. The revival production at Stratford proves there is no doubt that David Edgar's adaptation works, but how? The answer lies in an unforgettable performance style devised by the RSC, which extends Dickens' own interest in a rhetorical style of prose, flamboyant characterisation and multi-location settings, into a fully-fledged performance piece. There is no English novelist closer to theatre.

Trevor Nunn and John Caird direct with a spatial sense which extends into the auditorium via catwalks at several levels and flows into sweeping tableaux to evoke London street life or Dotheboy's Hall, then to focus in on still moments of intimacy such as between Smike and Nicholas. Scenes of great sorrow and great joy are juxtaposed to the enhancement of both, with conviction not melodrama, because they have created a stage reality, an expressionist landscape of the imagination where walls may be constructed from human faces. Combined with the actors' energy and enthusiasm and lightning changes between dozens of characters and scenes, the total experience is more than an adaptation from prose, it comprises a new theatrical form in itself.

The effect is to unite audience and acting company in Dickens' panoramic vision of human cruelty versus human generosity. Edgar's script identifies these dual qualities as the sources of evil and good in any society; these qualities lie deeper than issues of money, industrialisation and urban squalor and are identified most clearly in Dickens' treatment of children as the currency of life.

The two parts total eight and a half hours but never fail to engross. Third-person narrative enables Edgar to edit and accelerate the mammoth plot by conveying some scenes in one sentence, as if asides. Part One introduces the exuberance, eccentricity and extremes of Dickens' 19th-century England; Part Two is more soul-searching. John Napier's set design of wrought-iron walkways, balustrades, railings and shadowy arches is lit in warm ochre or morbid blue, to indicate the poles of existence between drawing room and debtors' prison. Stephen Oliver's music has the haunting sense of mortality which underpins Dickens' story. Andreane Neofitou's costumes are remarkably accurate to Phiz's slightly caricatured illustrations.

The ultimate accolade must go to the actors. It is unfair to single out individuals from an ensemble who treble parts with such gusto and you will find your own favourites, but here are mine. Alison Rose and Jane Carr for ingenious character changes, especially convincing as a pristine and needle-sharp Tilda and a spluttering, scheming, infantile Fanny Squeers respectively. John Carlisle, expressing the ruthlessness of Ralph Nickleby in his gaunt profile yet, internally, a complex motivation of guilt. David Collings, for a subtle Newman Noggs; vacillating, clicking his fingerbones yet stumbling into virtue. Michael Siberry, for a Nicholas Nickleby sympathetic but not wet, whose reluctance to strike Squeers (despite audience egging him on) conveys both physical hesitancy and moral certainty.

Above all, John Lynch's extraordinary physical performance as Smike, uncurling from the shadows more Cruikshank than human, crippled limbs gangling like a puppet whose strings have been hopelessly tangled and cut. He is the emaciated embodiment of spiritual deprivation which is the heart of Dickens' novel, and simultaneously the symbol of hope for the future because he bears no bitterness, only love.

The RSC pushed the novel into the 1980s with the final gesture: domestic bliss ensured for all worthy protagonists, Nicholas picks up the next Smike in his arms and offers him, not to his family, but to us the audience. Here is the cyclical horror of man's cruelty and the responsibility lies not in a happy ending, but with us.

Adelaide Festival 1986

The 14th biennial Adelaide Festival is to be held between March 1 and 23 and features the world premiere of Richard Meale's opera *Voss*, after the Patrick White novel; the Rustaveli Theatre of Georgia in *The Caucasian Chalk Circle* and *Richard III*; the Nederlands Dans Theater; Jan Fabre's *The Power of Theatrical Madness*; the Philip Glass Ensemble and Laurie Anderson from New York; and the Opera Factory Zurich in a new performing version of Gluck's two *Iphigenia* operas.

The Footsbarn Travelling Theatre, based in the South West, will represent Britain with a world premiere of a new production of *Macbeth*. Writers attending the first week international forum include Fleur Adcock, Marie Vargas Llosa, Craig Raine, Josef Svorecky and Graham Swift.

Giselle/Covent Garden

Clement Crisp

Latest of the Royal Ballet's debütant Giselles is Ravenna Tucker, who made her first appearance in the role on Friday night. In beautiful quietness of means, gentle grace of technique, this was a memorable performance, a bright augury for the future. The Giselle we first see is a tender girl moving with dulcet ease, emotions under-stressed but convincing. Her mad-scene rises but rarely above a mezzo-forte of emotion, save for the sudden and shocking outburst as Giselle stabs herself, a moment driven, like the sword itself, into the heart of the action.

There are dance sequences which experience will enable Miss Tucker to polish and sharpen in dramatic impact. A more immediate problem with so restrained a reading—albeit one entirely in harmony with this artist's stage personality—is that supporting performances, and the orchestral accompaniment, must avoid lethargy in an attempt to complement the ballerina's style. There were passages when it seemed that the production was dozing off, and that the cast were dreaming uneasily that they were appearing in *Giselle*. (The Courland court hunt is part of some other staging's nightmare.) Julie Wood, though, was a Bertha of real sincerity and sensibility in her concern for Giselle, dramatically cogent at all times.

In the second act Ravenna Tucker's gifts asserted themselves to wonderful effect. From the moment the veil was removed from the wili Giselle the dance seemed to fill her with o ravishing lightness. The wili's nature was revealed in movement airily buoyant, touched with a Romantic fever as well as a compassionate forgiveness for Albrecht. Rare among the company's Giselles, Miss Tucker can convey both the richness of the dance—leaps exquisitely poised so that she seems to pounce upon a step from above; line stretched in floating, unforced arabesque; elevation that helps her drift over the stage like the night mists—and the emotional purpose behind it, the dramatics as light and true as the dance.

The final impression is of a portrait drawn with feathery strokes of movement that yet capture the essence of the role, a characterisation luminous, pearly. It was, in every respect, a fine beginning, and Miss Tucker should prove a Giselle such as the Royal Ballet has not known for years. Describing the London appearances of Carlotta Grisi, the first Giselle, newspapers here spoke of an artist "shy, and young, and delicate, and fresh," and of dancing "market by graceful ease and complete naturalness." Across 143 years they tell exactly of Miss Tucker's interpretation.

The Albrecht was Jay Jolley, also making his debut. He provided sterling support as a partner and a well-mannered account of a role which he plays without fuss. A young Myrtha also took the stage on Friday night. Tracey Brown appeared as the wily Queen in the Royal Ballet School performance in 1982, impressing us then with her strong presence. She now offers a portrait even more commanding, with implacable gaze and no less implacable gesture. Allied to this, a broad jump — slightly forced at moments—a luscious *épaulement* and rippling *pas de bourrée* mark her as a notable newcomer, having the technical abilities and the force of temperament both so vital to the drama of the second act.

Arts news in brief . . . .

The National Theatre is to present the British premiere of Neil Simon's *Brighton Beach Memoirs* in the Lyttelton on February 18. The cast includes Frances de la Tour, Robert Glenister and Stephen Mackintosh.

*

Scottish Opera is to present a new production of Verdi's *Il trovatore* at the Theatre Royal, Glasgow, on January 22. This co-production with Opera North is to be seen in Andre Serban's Spanish civil war version, directed by Graham Vick, conducted by Graeme Jenkins and designed by Michael Yeargen.

David Mamet's *American Buffalo*, first seen in this country at the National Theatre and later in a West End production starring Al Pacino, returns to London in o revival directed by Robert Walker at the Old Red Lion, EC1, on January 14.

Salomon Brothers Inc
is pleased to announce
the opening of its

Zurich Office

Stadelhoferstrasse 22
8024 Zurich, Switzerland

Telephone (01)251-5137
Telex 816755

George P. Hutchinson
Managing Director

Salomon Brothers Inc

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Music

Jan 3 – 9

VIENNA

Alexis Weissenberg, piano. Bach. Musikverein (65 81 90). (Sat).

Haydn's "Die Schöpfung". Lower Austria Tonkunstler Orchestra conducted by Miltiades Caridis with Cheryl Studer, soprano; Anthony Rolfe-Johnson, tenor; Helmut Berger-Tuna, baritone. Musikverein (Sun Mat, Tues).

Vienna Symphony Orchestra Youth Concert conducted by Riccardo Chailly with Radu Lupu, piano. Brahms, Tchaikovsky. Musikverein. (Thur).

NETHERLANDS

Utrecht, Muziekcentrum Vredenburg: Recital Hall. Hanae Nakajima, piano. Franck (Thur). (31 45 44).

Rotterdam, De Doelen. Harmut Haenchen conducting the Rotterdam Philharmonic, with Peter Zazofsky, violin. Bartók, Schubert (14 29 11).

The Hague, Nieuwe Kerk. Rossini's Petite messe solonelle performed by the Netherlands Chamber Choir conducted by Jos van Immerseel (Thurs) (020-82 51 99).

ITALY

Milan: Teatro alla Scala: Margaret Price, soprano, accompanied by Geoffrey Parsons in music by Beethoven, Brahms, Strauss and Mahler on Monday. (80 91 26).

Rome: Auditorium of Via della Conciliazione: Lorin Maazel conducting Beethoven's 7th and 8th symphonies. (Sat, Sun, Mon, Tues). Oratorio del Gonfalone (vicolo della scimia 1/B) the Symposium Musicum playing music by Andrea Gabrieli on the fourth centenary of his death. (Thurs). (655 952).

LONDON

PLG Young Artists and 20th century music series at the Purcell Room: two concerts nightly 6.00 and 7.30 Monday to Friday. (928 3191).

Peter Frankl, piano; Gyorgy Pauk, violin; Ralph Kirshbaum, cello. Second Beethoven Trio concert in the cycle. Elizabeth Hall (Thur). (928 3191).

José Feghali, piano: 1985 Van Cliburn Piano Competition winner plays Haydn, Villa-Lobos, Chopin, Schumann. Elizabeth Hall (Wed). (928 3191).

London Symphony Orchestra, Howard Shelly conductor/piano, Jack Brymer, clarinet. Händel, Mozart. Barbican Hall (Wed). (628 8891).

London Symphony Orchestra, conductor Günther Herbig, Sergei Edelmann, piano, Weber, Beethoven, Brahms. Barbican Hall (Thur). (628 8891).

NEW YORK

New York Philharmonic (Avery Fisher Hall): Klaus Tennstedt conducting; Ute Vinzing, soprano. All-Wagner programme (Tue): Klaus Tennstedt conducting. Mozart, Beethoven (Thur). Lincoln Center (874 2424)

WASHINGTON

National Symphony (Concert Hall): Rafael Fruebeck de Burgos conducting. Piston, Bruckner (Thur). Kennedy Center (254 3776).

CHICAGO

Chicago Symphony (Orchestra Hall): Raymond Leppard conducting. Anthony and Joseph Paratore duo pianos. Chabrier, Bartók, Bizet. (Thur). (435 8122).

PARIS

Paul Tortelier, cello; Ensemble Instrumental Andoli: Vivaldi, Lekeu, Boccherini (8.30pm). Siegfried Jerusalem, Tenor; Siegfried Mauser, piano: Schubert's Die Winterreise (8.30pm) Both concerts Mon, TMP-Châtelet. (4233 4444).

Orchestre National de France conducted by Vladimir Fedosseiev with the Radio France Choir: Rimsky-Korsakov's Snegurotchka (Tue) Salle Pleyel. (4561 0630).

Tanel, piano: Bartók (Tue) Salle Gaveau (4563 2030).

Ensemble Orchestral de Paris – Jean-Pierre Wallez, violin; Pierre, Barbizet, piano: Beethoven's violin and piano sonatas integrale (Thur) Salle Gaveau (4563 2030).

London orchestras

Era ends on high note

The London Orchestral Concert Board disappears on April 1, an innocent victim of the abolition of the GLC. For almost 20 years it has subsidised orchestral concerts in London (mainly at the Festival Hall) by the big four orchestras, the LSO, RPO, LPO, and Philharmonia, along with dozens of concerts by smaller musical fry like the London Sinfonietta and the English Chamber Orchestra.

It was jointly funded, to the tune of £2.2m in 1984-85, by the Arts Council and the GLC. With the GLC disappearing its role is finished. In future the main orchestras will be subsidised directly by the Arts Council.

At least the LOCB closes on a high note. It has just issued its review of 1984-85 which reveals that for the second successive year there was an increase in audiences at the Festival Hall, up from 68 per cent to 75 pre cent for the 113 orchestral concerts that the LOCB supported — at an average subsidy of £5,800 a concert.

The rise in attendances owes something to the popular repertoire played by financially conscious orchestras, and rather more to the aggressive marketing policies financed by the GLC.

Whatever the reason, in 1984-1985, the 10 South Bank concerts by the LSO had an average capacity of 86 per cent (and the 82 concerts at the Barbican a 72 per cent capacity); the LPO were up 8 per cent ot 69 per cent for 25 concerts; the RPO managed a jump of 11 per cent to 77 per cent for its 34 concerts, while the most active Festival Hall visitor, the Philhamonia, with 44 performances, saw o slight drop to 75 per cent from 80 per cent in 1983-84.

Nothing much will change in the immediate future. Because soloists and conductors are booked years in advance the Arts Council has notified the orchestras that the traditional rhythm of musical life in London will be financed as usual up to the spring of 1987.

Obviously the Arts Council will be able to exercise more control over the orchestras when it becomes their sole patron, although of all our national arts institutions the orchestras are the least dependent on subsidy—on average it accounts for between 12 and 15 per cent of their revenue.

But it is a vital contribution, and they will no doubt be prepared to dance to an Arts Council tune which will probably be money tied to provincial touring, to the performance of challenging modern music, and to special festivals, featuring a composer in his wider artistic setting, or a particular country's music. All in all it will make for a more lively musical scene.

Antony Thorncroft

FINANCIAL TIMES
BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-248 8000
Monday January 6 1986

Pillar of the Bonn state

WEST GERMAN social democracy has taken an important step to distance itself from some of the more worrying positions of the Greens and of the peace movement. There is nothing unusual about socialist parties abandoning more extreme positions while in power. But in Germany (as in Britain, though in a different context) it is already happening while the socialists are in opposition and preparing for a year of political tussles that will lead to a general election no later than March 1987.

Mr Johannes Rau, the Social Democrats' newly installed champion who will try to unhorse the Christian Democratic Chancellor, Dr Helmut Kohl, opened his bid for the middle-of-the-road vote in his policy speech at Ahlen before Christmas. Bonn's alliance with the US, he said, was based upon shared values. There should be no unilateral withdrawal of cruise and Pershing missiles from Europe. Even before that speech, in his conduct as premier of North-Rhine Westphalia, Mr Rau had demonstrated that he had no wish to form a coalition with the Greens after the elections.

Basic policies

None of that is a matter of course in the Social Democratic Party (SPD) as it lately has appeared. At times it came close to departing from the spirit of the Bad Godesberg programme of 1959 which marked the SPD's acceptance of the basic policies of the Bonn state: Nato, European Community, and market economy.

Only after Godesberg could the SPD fully become what is known in German as a *staattragende Partei*, meaning, quite literally, a pillar of the state. It served in government under a Christian Democratic Chancellor from 1966 to 1969 and from 1969 until 1982 under Chancellors from its own ranks, Mr Willy Brandt and subsequently Mr Helmut Schmidt.

But the later Schmidt years coincided in West Germany as elsewhere with growing doubts about industrial society, about nuclear armament and about the value of the US alliance. In Germany the Greens, who do not even wish to be pillars of the state, became a political factor to be reckoned with. In the SPD itself opposition grew to nuclear power and nuclear armament.

Mr Brandt, the party leader, occasionally flirted with "green" views, afraid that the Greens might draw voters from the SPD, or hoping that a "red-green" coalition might one day bring the SPD back to power. This year an SPD group broke a Nato taboo by proposing jointly with the East German Socialist Unity Party a treaty for a zone in Europe to be free of chemical weapons.

The reaction associated with Mr Rau implies a recognition that the SPD cannot prosper without occupying the political centre rather than the left. This view is reinforced by the likelihood that the Greens have passed the peak of their first successes and look hopelessly divided.

Mr Rau's rise to national prominence began with a comfortable election victory in his home state of North-Rhine Westphalia last summer. He had acquired the reputation of being a sound father to his people without a great deal of ideological baggage, a "nice guy" who could heal the breaches within his own party and would appeal to a not excessively politicised electorate. That is his attraction, but also constitutes a danger.

In the months between his election success in North-Rhine Westphalia in May and the Ahlen speech, Mr Rau repeatedly betrayed his inexperience in defence and other external matters. The message from Ahlen was a good deal clearer, but Mr Rau himself must know best that the battle for the centre has yet to be fought.

That is truer since, after a bad patch, the Kohl Government in Bonn is doing well. A series of embarrassing *fiascos* seems to have come to an end and, most important, the economy is looking good and strong for next year.

Mr Rau will have to show that he can heal the breaches within his own party. A vocal faction is critical of Nato and, especially, of its nuclear policy. Even Mr Brandt has at times sounded ambiguous on some sensitive matters, but is said to have undertaken to protect Mr Rau's back. By avoiding renewed flirtations with the Greens and adventures such as the proposed zone clear of chemical weapons the SPD will be serving both its own interests and those of the West German position within the western alliance.

Trial in the home market

THERE IS now an unusually close consensus among economic forecasters of different schools about the short-term outlook for the UK economy. Growth will be somewhere near 3 per cent, sustaining a remarkably steady progress from the trough of 1980. Oil is topping out, so manufacturing and services will make most of the running, while on the demand side the recent strong surge in exports and investment is over, and consumer demand will be the main bullish factor.

When forecasters look beyond 1986, however, an enormous gulf opens up. On one side the market economists see 1986 as a year in which the economy is returning towards a more normal balance, with the components of demand growing broadly at much the same rate, while the fact of continued growth should consolidate the recovery in business confidence of the past two years.

The Government's critics, on the other hand, argue that a recovery fuelled almost entirely by what are generally agreed to be excessive wage increases must peter out quite quickly, so that by 1987 the economy will be slowed sharply by falling demand, and hampered by reduced competitiveness. Some are so persuaded by this gloomy projection that they are convinced Mrs Thatcher will contrive some excuse to go to the country this year, while the economic wind remains favourable.

Contrast

The gloomy view cannot be characterised simply as left-wing. German commentators, for example, show great relish at the moment in contrasting the unsustainable Anglo-Saxon recovery, based both in Britain and the US on excessive credit and monetary growth, reflected in historically high interest rates, with the virtuous German path of consumer restraint, modest credit demand, and a strong foreign surplus, promising indefinite crisis-free progress.

This analysis may appeal to those with mercantilist or Puritan instincts (distrust of the candy-floss society has a very long history), but it is not logical. The world as a whole cannot achieve a current account surplus, and indeed it is the export-dependent economies—Germany, Japan and South-East Asia—which have the poorest outlook this year, as the US struggles towards a better balance.

The real challenges to the UK economy have little to do with the structure of demand, but everything to do with competitiveness, in its broadest sense. This involves not only the level of costs, but the design and marketing of products. Consumer-led growth means that this test must be faced not just by the elite of British manufacturers who achieved record exports last year, but by the great generality who have in the past done so poorly in defending their own share of their home market.

The industrial lobby has argued down the years that a sound home market is the foundation of prosperity. This is probably much truer in these days of volatile exchange rates and unpredictable returns from exporting than it was in the past.

Wage costs

Most comment on competitiveness dwells almost entirely on wage costs, where the published figures provide a text for any number of gloomy sermons. There is much doubt, though, whether the figures are reliable. The earnings statistics appear to be accurate, but the figures for output have shown a consistently gloomy bias over the years. Economists close to industry seem convinced that the revised figures for 1984 and 1985 will in due course show a growth of productivity which will go far to justify the rise in wages, as has already emerged for earlier years. If this is true, then the campaign for more moderate increases in 1986 will not come too late.

Productivity is no use, though, if the products are not wanted, as is illustrated by the sad case of Austin-Rover which last year achieved a remarkable jump in output, but lost market share. Such stories are still far too common in British industry. If design and marketing could come near to the progress already achieved in British industry in productivity, then the recovery would indeed be sustainable.

WORLD STOCK MARKETS

The spotlight is on Europe

ALEX NICOLL looks at the rise of the global equity and the increase in cross-border investment over the past year

LAST year was "the kind of year to tell your grandchildren about," according to Mr Steven Schaefer. He is among those US portfolio managers who in 1985 made a memorable killing for their clients by investing in continental stock markets.

1985 was a vintage year for equities worldwide. Wall Street and London both advanced to record levels with the Dow Jones Industrial and the Financial Times Ordinary indices brushing aside the 1,500 and 1,100 barriers respectively. But the biggest gains to be had over the period were on the Continent.

A key factor behind the performance has been the sheer weight of money which foreign institutions have allocated to what was once an unfashionable area for investment. Inspired by the widespread belief that many national economies are set for a period of sustainable economic growth and low inflation, they have helped push continental share prices up by more than 70 per cent, as measured by Capital International's Index.

US and UK institutions, faced by domestic markets which have been generally more hesitant, have been expanding their overseas portfolios and there has also been more cross-border investment within Europe. In West Germany, the largest continental market where prices have risen more than 65 per cent, as much as three-fifths of the buying on some days is reckoned to come from foreigners.

The trend is part of a globalisation of equity markets which has quickened markedly during the year. Increasingly, shares are being offered to investors outside their country of origin, and are traded by the biggest securities houses around the world in a 24-hour market.

At the same time, financial assets such as shares and bonds have become more attractive investments because the policies of industrialised countries since the late 1970s have largely squeezed inflation out of their economies, with the result that real returns are less likely to be eroded.

"The 1980s will probably be characterised as the decade of securities, whereas the 1970s would probably be called the decade of raw materials in view of their sharp increase in value, and the 1960s the decade of labour," wrote Mr Henri Meier, a management board member of HandelsBank, a National Westminster Bank subsidiary, in an introduction to a new handbook entitled "The Swiss Equity Market."

The shift to free-market economic policies, epitomised by President Ronald Reagan and Mrs Margaret Thatcher, has produced greater confidence in financial instruments. The recent Reagan/Gorbachev summit also helped to bolster belief that the political backdrop for the markets is encouraging.

Most of the investment money has gone into US markets, continuing a long Reagan rally. But fears that the Reagan economic boom may be running out of steam have made foreign markets more attractive and encouraged further diversification of US portfolios.

Overseas investment still represents a tiny proportion—perhaps one-fortieth—of the $1,000bn or so available to be invested by U.S. pension funds.

But the dollar's fall after a period of exceptional strength has led more US investors, most of whom have long adopted an insular approach, to look across the oceans. Since Japan has seemed a less attractive investment than previously, the emphasis has been on Europe.

The Continent has reaped much of the benefit because its countries are generally seen as offering less economic and political uncertainty than Britain, which is heavily dependent for the success of its economic policies on oil prices and the pound.

While most countries would gain from lower oil prices, Britain — at least in the short term — stands to lose. London's most recent rally has been fuelled by takeover speculation, not thought to be a sign of fundamental strength, and by the strong cash position of institutional investors because of lower government debt sales and a hiatus in new share issues.

A powerful incentive for US fund managers to step up their international investment lay in the good performance of those managers who in the early 1980s bought into foreign markets, like Japan. With many companies there perceived as already having experienced their period of sharpest growth, and with the competitiveness of exports now threatened by a strengthening yen, Japan has turned into a difficult market. So the emphasis has switched to Europe.

Fund managers' performance is usually measured against the key index for the market in which they invest. For international equities, the benchmark is the Europe and Far East Index compiled by Capital International. To outperform any index, managers must take investment decisions which will make their portfolio diverge from the weightings within it, which are determined by the relative size of individual stock markets.

This year, according to Frank Russell, a US pension fund consultancy, managers have substantially "overweighted" Europe and "underweighted" Japan.

Putnam International Advisors, the London-based arm of the Boston advisory group Putnam Companies, nearly doubled the group's international portfolio last year to $1bn, says Mr Schaefer, a managing director.

About 70 per cent of the increase came from appreciation of investments. The remaining 30 per cent reflected additional money entrusted to Putnam's management by funds either newly awake to the gains to be made abroad, or wishing to increase their international exposure. The total is still small by comparison with the $18bn under Putnam's overall management.

According to InterSec Research, a Stamford, Connecticut-based consultancy, US pension funds had $25-26bn invested abroad at the end of 1985, compared with $15bn at the end of 1984.

British investors have not missed out on the push into Europe. The £600m Foreign and Colonial Investment Trust, for example, has 10.2 per cent of its portfolio invested in non-British European equities compared with only 3.4 per cent a year ago.

So where exactly has the investment money been directed?

The West German market has appeared to foreign investors to have everything going for it. This was highlighted in the week before Christmas when Deutsche Bank, which has seen its own share price rise more than 120 per cent over the year, capitalised on foreign enthusiasm for the market by offering abroad most of a large $1.5bn parcel of shares in Daimler-Benz, the motor manufacturer.

The well-known Daimler name and the pricing at an attractive discount to the market level ensured that the shares, distributed through the highly efficient syndication system used in the Eurobond market, were snapped up within hours.

Underlying the West German market is the outlook for economic growth of 3 per cent or more next year with inflation at not much over 1 per cent. Exports are expected to remain strong. The healthy economic background allows forecasters to predict that corporate profits will remain buoyant, growing by 15 per cent or so in the coming year. The ruling coalition Government is expected to survive elections in 1987. The D-mark's likely continued strength makes investment even more appealing to dollar- or sterling-based investors.

The West German economy, and others in Europe, are perceived as having been through the wringer of recession and as emerging leaner and more profit-oriented. The resulting burst of consumer spending is occurring later than in the US. This makes consumer-based European companies particularly attractive, and these often have the added advantage that their names, such as Heineken or Nestle, are known to international investors as brand names.

Switzerland and the Netherlands have benefited from the same fundamental attractions as the West German market. The Swiss market has opened up considerably during the year, with a number of share issues offered internationally. Investors spotted that share prices in Amsterdam were trading at a much lower multiple of corporate earnings than in West Germany, and saw a buying opportunity.

Belgian, Spanish and Austrian shares have attracted similar foreign attention, and the French market became more appealing later in the year on renewed confidence in the economic prospects being offered by President Mitterrand.

In the Far East, Hong Kong — a market still powered largely by domestic investors — has enjoyed a resurgence of confidence about the political future which has helped the stock market. Singapore and Malaysia, however, suffered a blow when the receivership of Pan Electric Industries forced the temporary closure of their stock exchanges and triggered a sharp fall in prices.

In Australia companies with a strong US component in their earnings were helped by the Australian dollar's decline.

The stock market in Italy has been exceptionally strong. Though foreigners have been enthusiastic buyers of shares, the most significant development has been a move to establish mutual funds for domestic investors — one of several measures taken by European countries to liberalise share ownership. The Italian Government, currently engaged in a programme to sell off some of the country's heavily state-owned industry to the private sector, has a vested interest in maintaining a strong stock market.

The problem for foreign investors in Italy, however, as in many other countries, is that very few of the quoted companies are large enough. The markets in the shares of most continental companies are too small and illiquid for big US investors. They are used to moving large sums of money — difficult to absorb in a small stock market — and to getting out of their investments rapidly and without damaging prices.

"Any market which is illiquid and where you are heavily over-weighted is a risk," says Mr David Roche, a London-based international portfolio manager for J. P. Morgan Investment Management, one of the biggest US fund managers.

A case in point is the Swedish market, formerly attractive to foreign investors, but beset last year by the country's economic troubles. Share prices have dropped very sharply in some cases as foreigners have baled out.

Smaller markets may also hold pitfalls because their trading and regulatory systems are simply not as developed as those of Wall Street or London. Settlement is sometimes a problem.

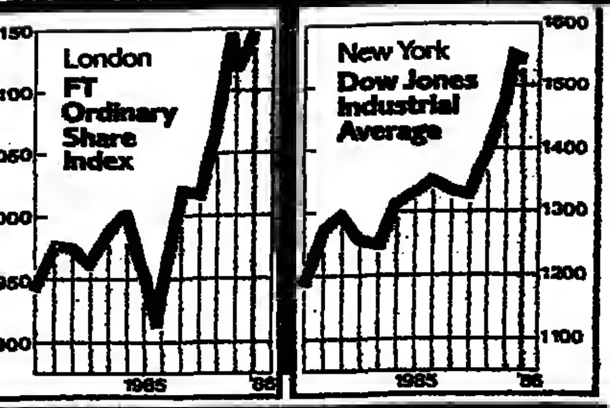
The growth of cross-border investment is putting pressure on markets across Europe to iron out inefficiencies and liberalise trading methods. The effects have already been felt in London, which is embarking in 1986 on a radical restructuring which will cut trading costs for institutional investors. Swiss commissions are also negotiable from January.

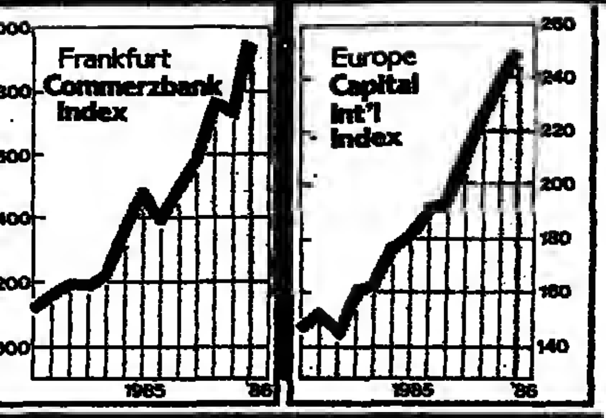
But the relative obscurity of some European markets means there are big gains to be made by astute fund managers who, carrying out their own research, spot companies which have gone unrecognised as holding large growth potential. While some managers stick to the biggest and best-known companies, others aim to pepper their portfolios with some lesser-known growth stocks.

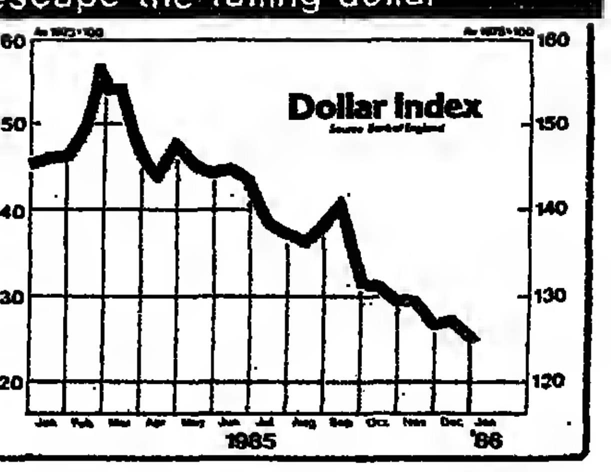
"The less efficient the market, and the less information that is available on it, the more that research adds value," says Mr Roche.

Problems of illiquidity may be eased to the extent that the expansion of stock markets, with heavy new issue volume and government privatisation programmes, mobilises greater domestic involvement in stock markets—as is occurring in Italy.

Mr Anthony Bolton, an investment director in London with Fidelity International Management, another US management group, is among those who see foreign investment as creating an impetus for the longer-term development of stock markets. "In the second half of the 1980s, the flow of funds is going to be out of the big markets and into the smaller markets. This generates a momentum in which the domestic investor wakes up to the opportunities."







Bob Hutchison

Men and Matters

Pitch for City friends

The Labour Party is leaving no stone in Throgmorton Street unturned in its search for respectability among the business community.

Not only is it seeking to introduce its policies to the pin-striped ranks of the City of London, it is also planning to do so in a way which they would surely approve—for profit.

The Fabian Society, an old friend of the Labour Party, which has the race-winning tortoise as its emblem, will organise a conference at the London Press Centre on February 11 to discuss Labour's "Policies for Business."

The object is to attract those who think (fear?) that Labour might, after all, form the next government, and will thus want to get to know what Labour has in store for them.

The day's business will be chaired by two Lords as further evidence of the broad church now offered by Labour. They will be Lord Barnett, the former Treasury Secretary, and Lord McIntosh of Haringey, who was brutally deposed from the leadership of the Greater London Council by Ken Livingstone and his left-wing faction after just one day in the job.

McIntosh's presence at the conference will remind the audience of the hard pounding that may be expected when Labour is in office and at work.

Roy Hattersley, the shadow Chancellor, will address himself to the "economic problems facing an incoming Labour government." Bryan Gould, the shadow trade minister, will map out Labour's policies for the City. John Smith, the shadow trade and industry secretary, will talk on Labour's industrial policies.

The three represent Labour's reformist face. And it is a reasonable bet that they will want more reforms—and certainly different reforms—than their audience would wish.

And the cost of having your spine chilled? It will be about £120 plus VAT. That will include lunch and refreshments.

Clearly there is no such thing as a free fright.

"The shareholders love us—they love us not . . ."

Table talk

The pecking order is all-important in Japanese official circles which is why two distinguished Westerners, who will be visiting Tokyo this month, are being asked to swap the venues for their main speeches.

It was arranged that Katharine Graham, the redoubtable publisher of the Washington Post, should address a Japan National Press Club lunch. She is visiting Tokyo because Newsweek, part of her publishing stable, is to launch a Japanese language edition.

It so happens that Jacques Delors, president of the European Commission, will be in Tokyo at the same time and he was booked to speak on the same day as Mrs Graham at the Foreign Correspondents' Club.

In the eyes of Japanese officialdom a visit by an EEC president rates higher than that by a distinguished newspaper proprietor. So the Japanese Foreign Ministry advised Brussels that Delors should really deliver his words to the Japan National Press Club.

The switch threatened to leave Mrs Graham without a forum. But fast footwork by interested parties enabled her to take up his discarded place at the head of the table at the Foreign Correspondents' Club.

Wagers are now being made on which celebrity will attract the biggest audience. Can the European Monetary System excite the reporters more than racy recollections of Watergate.

Goskirk's energy

The arrival of Ian Goskirk, aged 53, a life-long oil man, at Coopers and Lybrand's management consultancy to set up an oil and gas practice, is a sign of the fast-changing times in the energy business.

Until the Government closed the British National Oil Corporation last November he was the chief executive with responsibility for a turnover of £10bn a year trading North Sea oil.

The rising cost to the Government of that form of intervention in the oil trade brought the exercise to a sudden halt, leaving Goskirk and about 100 others out of a job. About 50 employees remained to run the surviving Oil and Pipelines Agency.

Goskirk believes he is in the right place at the right time in his new job as an independent adviser to the energy market. "The industry can no longer gear itself in terms of the 1970s or the 1980s. Those days are gone. It must now make decisions based on forecasts for demand in the 1990s."

His own forecast is that the static market and declining prices will force the oil industry into a spate of mergers, takeovers, and large-scale reorganisation.

A career Shell man, his own experience illustrates the way the industry has come full circle. In the 1970s he helped prepare Shell's Venezuelan interests for nationalisation. Ten years later he was preparing British state oil interests for privatisation.

Last drop

If you are attracted by the cachet of the last wine of 1985 you will have to sup Binger Scharlachberg Riesling Qmp Eiswein Villa Sachsen.

Grants of St James, the vineyard's London agents, have told me a charming tale about the gathering of the grapes for this wine.

Well before sunrise on New Year's Eve a band of friends and neighbours, hastily rousted out of bed, gathered on the freezing slope of the Scharlachberg vineyard and picked the frozen Riesling grapes in a temperature of −9 degrees Centigrade.

They used the headlights of their cars to illuminate the vines.

The whole crop was picked and sent for immediate pressing by mid-morning. It will produce about 900 bottles which will sell at about £40 a bottle in three years' time. When, I am promised, "It will taste of pure nectar."

Half-baked

Last week I brought you the observation from a Chelsea wall that "The upper crust is just a lot of crumbs sticking together."

A West End of London reader disagreed. He says "The upper crust is a lot of crumbs held together by dough."

Observer

هكذا من الأصل

HOMELESSNESS IN BRITAIN

The problem is getting worse...

By Robin Pauley

IT IS a cold rain-soaked December night well before the theatres and restaurants empty and London's metropolitan bustle starts to die down. Very young boy prostitutes in Leicester Square and Piccadilly are still hoping for a pick-up that will give 'em somewhere to stay the night.

A group of damp and pinched youngsters cluster around the Soho Centrepoint emergency housing centre hoping that when its gates open they will be allocated a bed for the night, their last chance of getting indoors.

They are the most visible part of London's growing homelessness problem which continues to spread across a wider age range, with all the emergency centres now regularly dealing with teenagers.

It is a tragedy which attracts national attention at this time—the charity Crisis at Christmas takes the homeless to its heart each year—and nudges the public conscience through the festive season.

Shelter and the Simon Community Trust estimate that at least 200 people sleep rough in London each night along with several hundred more in Britain's other major towns and cities.

Homelessness is, however, a notoriously difficult concept to define and behind those obviously homeless underneath the arches is a less visible army of up to 200,000 households representing around 500,000 people who are without homes in one way or another but who nevertheless do not sleep on the pavement.

The fact that these people are without homes leads many commentators to the wrong assumption: that there is an absolute shortage of housing in Britain. In reality, there are more than 680,000 empty homes in Britain, only a fifth of them in the public sector, but for a variety of reasons they are not available to those who most need them.

The illustration indicates who the homeless are and how their numbers have increased in recent years partly, but not wholly, because investment in public sector housing has declined under a government whose policy objective is to pull the public sector back from the housing market. But rising unemployment, rising divorce rates and the desire of more and more young people to live away from the family home, have all added to the problem.

The best indicator of people without a satisfactory home is the number of households which claim to be homeless each year to local authorities—a figure which has doubled to around 200,000 since 1979-80.

But local authorities are only required to house people falling into priority categories under the Housing (Homeless persons) Act 1977; they include families with children and pregnant women. Fewer than half of the households claiming homelessness qualify under the official rules, virtually none of them single people.

Of the 80,000 accepted as officially homeless, about half are permanently rehoused in council housing. Of the others, about half in London and a third elsewhere are put into bed and breakfast accommodation in often far from salubrious hotels (at a cost in 1984-85 of £10m) until a council home can be found for them. This sometimes takes more than a year. Others go variously to short-life dwellings, women's refuges and hostels.

Sometimes even the most sympathetic councils find themselves unable to cope with their statutory obligations. At the start of this year's winter, Camden Council, with more than 500 people in bed-and-breakfast and no accomodation to be had, turned away 12 families including a single mother with three tiny children. She planned to sleep on Euston Station until another claimant in the homeless office offered to put her up in the one-bedroom flat she shared with her husband and five children.

But even if councils coped with all their responsibilities, this would still leave an enormous and ill-defined group of people who fail to qualify as "officially" homeless.

These people remain out of public view; they do not sleep in the streets or beg. Some sleep in abandoned cars or caravans, some in garages, some in shared and overcrowded conditions or on friends' or relatives' sofas, and some squat legally or illegally in disused property.

The two main groups in this category of homelessness are single people, particularly men, and people who have disqualified themselves from the right to be rehoused by making themselves "intentionally" homeless, a trap under the 1977 Act.

It is essential under this law not to leave a home voluntarily. This means resisting all threats, notices and demands until an eviction order is served and enforced by the courts. In addition the word "intentionally" is open to a variety of interpretations by different councils.

Men who are "intentionally" homeless have to rely on Britain's 1,700 hostel places for males, which are over-subscribed. All are communal and institutional living of a fairly basic standard although they vary from the bright and clean Salvation Army hostels to the Government's 21 national centres or "spikes," which hark back to the grim Victorian days of the poor house and the work house.

Some men detest the spikes and prefer to live out rough.

The tier of people in distress and in need of housing is unique neither to Britain (see panel) nor to the period of the Thatcher government.

But a number of events since 1979 have meant that there has been no brake on a situation which has been getting worse since the post-war baby boom.

The present government has adopted a policy aimed at encouraging home ownership, pulling the public sector back from the housing market and encouraging the private sector to expand.

One result is that more than 500,000 council houses have been sold since 1979 but local authorities have been prevented from reinvesting more than a fraction of the receipts in new housing projects. More than £6bn of unspent accumulated receipts are now piled up in local authority bank accounts.

At the same time, the overall totals that councils have been permitted to borrow to spend on capital housing projects has been cut back by 65 per cent in real terms since 1978-79, down from £4.4bn in 1978-79 to £1.5bn in 1985-86 (at constant 1984-85 prices).

The aim was that the private sector would fill the gaps, but although private sector housing starts are increasing they are almost exclusively for property to buy. The private sector is not moving into the rental sector, primarily because it continues to be regarded as a poor investment.

The Government has considered trying to free the private rental sector by legislating to deregulate rent and tenancy controls but has backed away for fear of a mighty political controversy.

So it remains more profitable in many cases to keep property empty as values rise sharply and then sell it for a substantial capital gain. Other landlords restrict their tenancies to short company lets.

The enormous number of empty private sector homes in Britain has now reached an all-time record of 500,000. In addition there are more than 116,000 empty local authority homes in England and Wales, enough theoretically to all but eliminate the homelessness figures. Around 26,000 have been empty for more than a year, including 9,000 in London. Some are unfit, some are awaiting repair by councils which have run short of cash and some—about 16 per cent—are being kept empty deliberately for more than a year by councils which want to sell them.

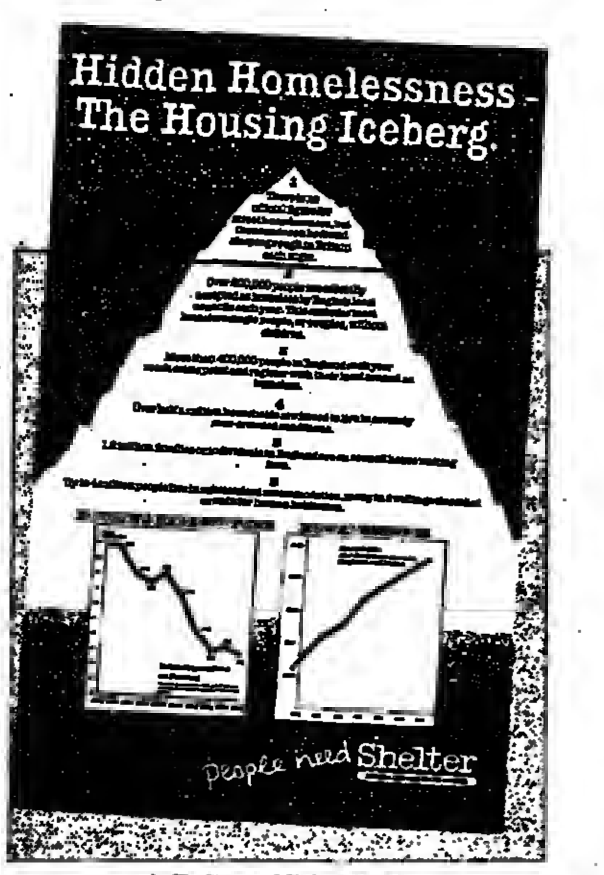
Without legislation to release some of the frozen private sector for property, the onus for providing rented accommodation to those without homes and too poor to buy will remain with local councils. How can their record be improved?

The first move, urged by both the Church of England's report on the inner cities and the committee of inquiry into housing chaired by the Duke of Edinburgh, would be to recycle cash from council house sales into the housing sector.

However, the Government is not alone in its claim that inefficiency is as much to blame as shortage of cash for the volume of long-standing empty public housing stock. One radical way of putting councils under pressure, considered by officials but not yet adopted by Ministers, is to legislate to give individual members of the public the right to compulsory purchase of property which has been empty for, say, longer than four or six months, at a very low valuation.

The arches dwellers are not likely to use such a power. But people like the Director of Shelter or SHAC and the manager of Soho Centrepoint could use it effectively if councils persisted in failing to use their housing for what it was intended: homes.

Another problem causing concern is the destruction of existing council property, some of it under 20 years old, for social reasons. Hackney Council, for example, has blown up Northaird Point, a 21-storey system-block of flats which has suffered water penetration and tenant dissatisfaction since it was built in the 1960s. But there are 100,000 flats like this in London alone and MPs are starting to question whether they might not be better temporary half-way homes than spikes, railway arches and expensive bed and breakfast hotels.



A Shelter publicity poster

HOMELESSNESS is not a one-week seasonal aberration—no is it confined to Britain.

"The worst times are in January when it's always wet and February when its always much colder," says Michael, an Ulsterman preparing to spend the night in his ragged overcoat and some cardboard boxes arranged around him. He shows no signs of being the worse for either drink or drugs and is unforthcoming about when or how his life slid down and then out.

As he speaks a couple wander past, walking across one of the pieces of treasured cardboard which he is making up into a bed. "I don't walk on YOUR bed," he shouts, with a touch of both humour and dignity.

He asks for a cigarette but not for either a place to stay or for money.

Michael has his counterparts in all other countries rich and poor: from New York's Bowery bag ladies and the trans-US hobos to the French "Clochards," West Germany's station-sleepers and Scandinavia's notorious alcoholic drop-outs.

Lombard

A job insurance guarantee fund

By Samuel Brittan

ONE little-discussed item in the latest package of job measures, announced by Lord Young, the Employment Secretary, last November, was the virtual winding-up of the Redundancy Fund. Employers with ten or more workers will have to meet redundancy payments themselves, instead of receiving 35 per cent from a Central Redundancy Fund. The savings will be used to help finance new job promotion schemes.

One can agree with Lord Young that Redundancy Fund contributions of 35 per cent left employers to meet the brunt of redundancy — especially as many of them make severance payments above the statutory minimum.

But the matter should not rest there. The costs of any future redundancy to an employer are a deterrent to taking on more labour and contribute to the "non-employment mentality" so prevalent in many countries, not just Britain.

"If you go about Germany, you will see thousands of firms (and we have tested them) which have their order books full with profits up by 50 per cent or more; but on being asked how many additional people they employ, you will receive a zero response. Any kind of additional investment is put into robots to increase the rising productivity."

This observation comes from Albrecht Graf Matuschka, of TRV, a Munich merchant bank active in the venture capital field.

One reason for this mentality is the fear that if there is an adverse turn in business, or a change in technology, which makes it necessary to lay off these new employees, the redundancy costs will prove prohibitive.

Graf Matuschka has therefore suggested an employment insurance fund along the lines already existing for export credits, such as the ECGD in the UK or Hermes in Germany.

National export credit agencies insure companies, in return for a premium, against default or political interference. These agencies are supposed to pay their way in normal years; but because of the supposed public interest involved the agencies are guaranteed by the state, which makes up exceptional losses.

As in the case of exports, employment insurance would be voluntary. But in contrast to exports, the insurance would only apply to newly hired employees. If the scheme were to be implemented, full-scale tentative costings would be necessary. Graf Matuschka gives an illustrative premium of 5 per cent of gross wages of new workers, which would be an allowable business expense. But unlike UK National Insurance contributions it would only apply to newly-hired workers.

He also suggests a base capital of DM 500m.

Under British conventions the guarantee fund would not count as public expenditure or contribute to the Budget deficit until it had actually been called upon to meet losses. Thus it would not compete for funds with other job schemes in the way that the doomed UK Redundancy Fund can be said to have done.

Fear of redundancy expenses is of course not the only element in excessive labour costs. But it may be easier to tackle than, say, basic pay or social insurance contributions, because it is a contingent liability which can be nationally pooled.

The stock objection from less discriminating free market economists will be: "If employment insurance is worthwhile, why do employers not go ahead on their own, without state backing?" The answer is that there are important "externalities" ie, benefits not experienced by the employers themselves. Even if an employer is indifferent at the margin as to whether he takes on labour or not, the rest of the community benefits from a reduction in dole payments, and the unemployed gain a work option not previously available.

In a previous Lombard (Dec. 12), premiums for companies which increased their labour force above a certain threshold percentage and/or wages by less than another threshold were suggested. Since then a "new classical" economist has threatened to sort me out.

The real "sorting out" is needed elsewhere — in the nexus of high labour costs and inadequate employment which are the main blot on economic recovery, and which need to be tackled by every fringe assault we can devise.

Letters to the Editor

US leveraged buyouts

From Mr R. Leutwiler

Sir,—The success of US leveraged buyouts is undeniable. Looking at them superficially from the outside, everybody seems to benefit: the public shareholders receive cash for their investment with an appreciable capital gain, the providers of finance can expect much higher returns than they would normally obtain elsewhere, LBO organisers and a number of legal and other financial advisers earn not-negligible fees and commissions and the members of the management team being now part-owners become more motivated through the potential appreciation of their personal investment.

The new practice is, however, an extremely short-sighted one and contains many long-term exposures. These dangers are not those of default of the new private company. The management teams and the lenders usually take limited and well calculated risks only. The real problem is thet these huge amounts of money that are changing hands are not invested in the actual businesses, in R & D or in increased productivity. The debt burden of companies that go through a LBO is often such that the cash-flow (even after cost cutting programmes and improved cash management) is not enough by far to absorb the increased financial expense. The result is an uncompetitive product. The way out is obviously to sell assets or entire business segments. If the management does well in liquidating these assets, the net equity of the company appreciates and handsome capitsl gains are realised. Lenders are at the same time being repaid and the circle is closed again.

The businesses that find a buyer however are being acquired at market value—rather than historic investment or acquisition cost—and the new owner has consequently to calculate with higher depreciation and interest expense. The result is once again a less competitive product.

At a time when our society on both sides of the Atlantic has to fight against unemployment—which is to a great extent a result of higher efficiency and productivity in other parts of the world—the question is asked whether we should not concentrate ourselves to meet the competition challenge through increased investments in our existing businesses? Can we afford to sit quietly and watch how viable corporations are being torn to pieces by corporate raiders, LBOs and similar mechanisms? After all, do any of these financial transactions produce anything else than short-term profits to a handful of investors? How much damage has to be done before our authorities will be obliged to introduce controls which unfortunately will have many other negative side effects to our system of free economies?

Rudolf G. Leutwiler,
7, ch. du Pre-Poiset,
1253 Vandoeuvres,
Geneva, Switzerland.

Sikorsky and Westland

From Malise Graham

Sir,—In 1981 United Technologies earnings per share were $3.85. For the first six months of 1985 they were $1.29 and for the year just ended are estimated in the range $3.00-$3.50.

The chairman attributed this approximate 40 per cent decline in real earnings largely to the "disappointing" performance of the Sikorsky division — the "jewel" acquired from Textron at the winding down of the Vietnam war.

Outside observers have also questioned whether UTX has not expanded so fast that it has been unable to "digest" all its acquisitions. The dilution of effort and decline in cash flow raise the question how well can United Technologies fund and support Sikorsky's future development?

Thus shareholder and the national interest combine. Britain's priority task is to rebuild its capital base and purchasing power for the benefit not only of ourselves but that of the whole Free World. The European solution would be a notable step in that direction. It would break with the inexplicable and debilitating practice of the nationalised industries and other companies dependent on government and the services of preferring foreign to domestic suppliers.

Malise Graham.
40 Morris Road,
Lewes, Sussex.

Electronic money

From Mr P. Frazer

Sir,—It was kind of John Plender to devote so much attention to my book on plastic and electronic money (Lombard, December 30). I do not, however, think he is quite right in saying that I offer no thoughts on how to control the nightmarish scenario of personal customers switching their money between institutions, end even between countries, at the touch of a button.

In fact, as I say in the book, technology provides an answer to the problem that it is creating. The concept of relationship pricing—pioneered by Citibank in the States and half-heartedly taken up by some of the big British banks—rewards customers for concentrating their banking business at a single institution.

So, once their computers can link together several different accounts held by the same individual, financial institutions will be able to offer genuine loyalty bonuses to discourage account switching.

Such tangible rewards will in any case be needed to cope with the decline in the traditional inertia (described by bankers as loyalty) displayed by personal customers.

If banks still fail to keep their customers' money in the country, however, than the authorities may indeed think it necessary to re-introduce exchange controls. Unlike John Plender, though, I see no reason why these should not be effective, for electronic money — although capable of crossing frontiers invisibly at the speed of light — does leave an identifiable trace. For the dedicated currency smuggler there is still nothing to replace yesterday's technology — good old-fashioned cash.

Patrick Frazer.
36 Old Deer Park Gardens,
Richmond, Surrey.

Demonstrations in Peking

From Mr Z. Lan

Sir,—It's really good to read your China survey (December 9) which is so objective and yet to the point. Especially as I am a native of Wuxi, about which you have an article introducing it as the Little Shanghai.

As an economist, I disagree with what you said about "other's success as an insulting defeat of China" or football rioting as Xenophobia. I think this is based on a superficial impression. My personal opinion is that they have deeper causes.

Of course, the Peking students demonstrated against Japan on September 18, 1985, and students of Xi'an and Wuhan followed suit. Yet, it was not because the students felt Japan's success as an insulting defeat for China. Actually W. Germany was a great success after World War II and W. Germans are also doing big transactions with China. Then why not against W. Germany?

Is it because of the huge trade deficit with Japan? Partly yes. China has trade deficits with not only Japan, but US, EC, even Hong Kong and others. So why no demonstrations against these?

It is because Japan's intention to monopolise the Chinese market and its unwillingness to invest in or transfer technologies to China angered the Chinese who saw the W. Europeans and Americans willing to transfer technologies and know-how to China and invest in China although there are deficits in trade with them. At least, they are willing to give a hand in China's modernisation programmes.

This is the deciding factor in the Chinese people's feeling towards Japanese businessmen, which was agitated by the film "Four Generations under one roof" depicting the miserable life of Peking citizens during the Japanese occupation. The film was shown during the summer to commemorate the anniversary of the end of the anti-Japanese war. And many young people learned of Japanese cruelties through this. The feeling was triggered, I think, by two incidents: a press disclosure of the import of 5,800 Mitsubishi trucks of low quality and Mr Nakasone's official visit to the Japanese shrine of the war dead.

All this just happened days before the fiftieth anniversary of the September 18 Incident anniversary in China. This day is regarded as the beginning of Japanese military aggression.

Every manager or official I met during my surveys on Sino-W. European joint ventures in China was dissatisfied with the arrogance some Japanese businessmen or young scholars showed. There is a popular resentment of the Japanese trade policy toward China.

Zou Lan,
Department of Political Science and International Studies,
University of Birmingham.

Expense account world

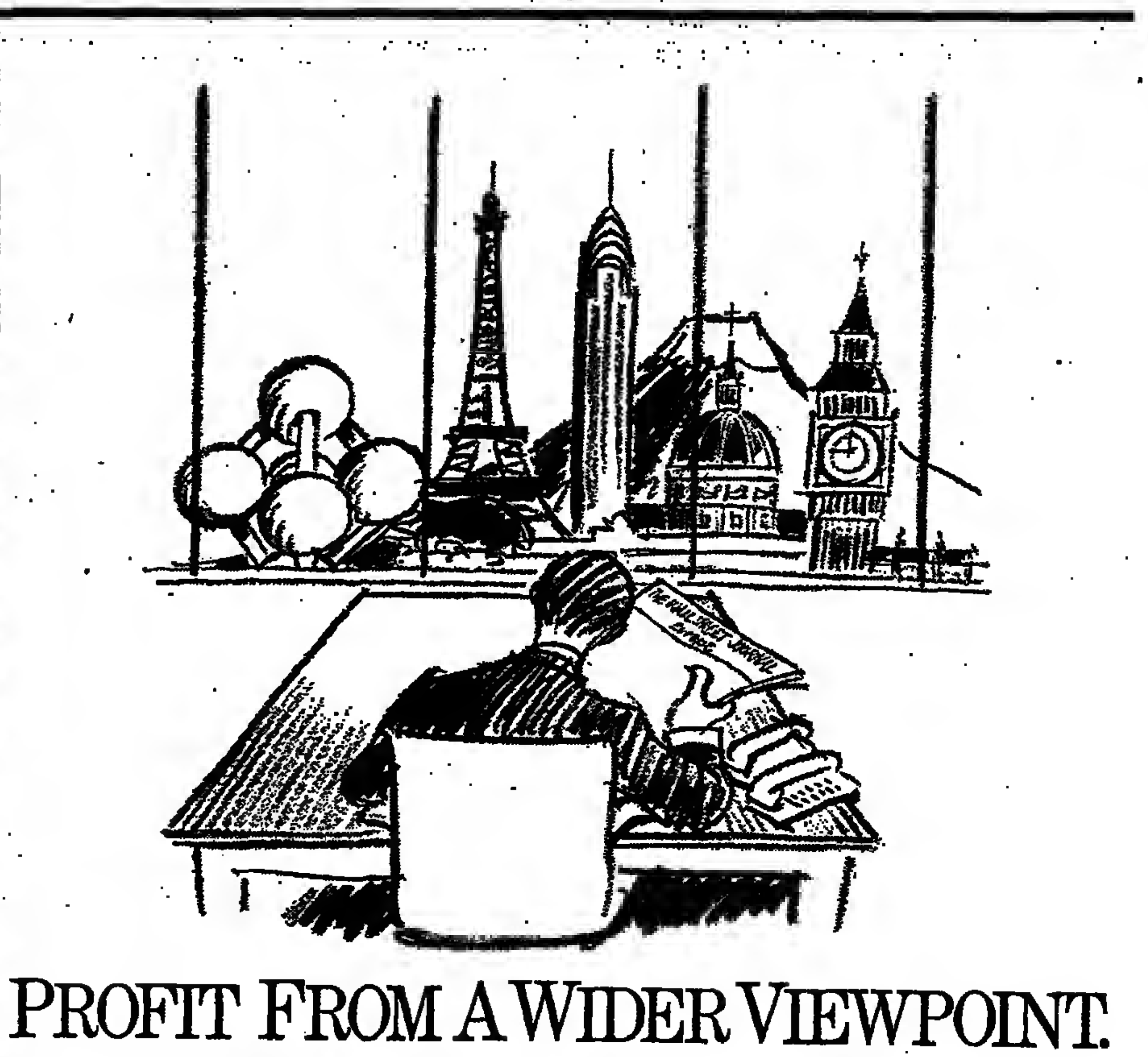
From Mr D. Middleton.

Sir,—Nick Bunker's article on the expense account world of the £40 meal (December 21) reminded me of a recent experience when I entertained a business associate to a modest two-course lunch in a pub restaurant at Madingley, near Cambridge.

The cost of the meal, preceded by a schooner of sherry and accompanied by a bottle of Beaune, was £41.11p. This included a cover charge of £1.20p, vegetables, £3.90p and potatoes £1.90p—modest portions at that!

This must surely constitute a national record for such a simple pub repast?

D. H. Middleton,
2 Greenway,
Weston Favell, Northampton.



PROFIT FROM A WIDER VIEWPOINT.

For a strategic overview of the international business scene, all you need is The Wall Street Journal/Europe.

The Journal offers you:

- a concise daily summary of international corporate and economic developments,
- a comprehensive package of international capital market news and financial information,
- a unique and sometimes controversial editorial position on European economic and public policy issues, and
- the most complete coverage of the American economy and American business available this side of the Atlantic.

The Wall Street Journal/Europe offers you, in short, a truly global view of the trends that will shape Europe's - and your company's - future.

Start picking up a copy every day. We think we can guarantee you a wider - and considerably more profitable - view all round.

THE WALL STREET JOURNAL EUROPE

GO STRAIGHT TO THE TOP

SHEERFRAME
Britain's largest producer of uPVC window and door profiles.
Sole manufacturers and patentees:
L. B. Plastics Limited
Firs Works, Nether Heage, Derby DE5 2JJ.
Tel: (077385) 2311. Telex: 377059

FINANCIAL TIMES

Monday January 6 1986

Tarmac construction
Construction at its best.
0902 22431

Terry Byland on Wall Street

Interest grows for banks

THERE SEEMS to be no end to Wall Street's passion for stocks in the money-centre banks – the very same stocks that seemed about to disappear into the abyss only two years ago.

Despite their strength over the past 12 months, bank stocks featured strongly in the New Year crop of recommendations from the analysts.

The stocks were not recommended on the basis of the excellent results for the 1985 final quarter, which will be disclosed before the end of this month.

Earnings for fiscal 1985 are likely to show gains of around one third at Chase Manhattan and J. P. Morgan, with smaller but still healthy increases at most of the other leading names.

The money-centre stocks are still rated a buy at the brokerage houses because the factors that boosted them last year are expected to remain in play in 1986.

Tha principal factor was the plunge in US interest rates and the market's anticipation of the trend. Banks were repeatedly successful in holding prime rates steady for some weeks after money-market rates had dipped – indeed they are repeating the exercise at present.

But the money-centre banks also benefited strongly from an easing in the worries surrounding the loans to Latin American and Third World countries. The plan by Mr James Baker, US Treasury Secretary, helped to calm those fears and has received increasingly strong acceptance on Wall Street.

Stock	p/e
Chase Manhattan	6
Citicorp	7
Chemical	6
J. P. Morgan	8
S & P 400	14.88

Regional bank stocks are viewed more selectively. Those banks which have avoided the worst pitfalls associated with the domestic energy and farming loan problems have followed the money-centre banks and are likely to continue to do so.

One reason that bank stocks should do well, at least in the early months of this year, is that last year's rise was surprisingly late in coming – always allowing for the wisdom of hindsight.

Falling short-term interest rates, which have been the motor behind rising bank profits and stock prices, made two false starts last year.

Only after Wall Street decided that US rates would be allowed to fall as part of the Group of Five plan to lower the dollar did the downward slide in the money market reach full throttle.

Consequently, while bank stocks did well in the first nine months of 1985, they failed to match the gain in the Standard & Poor's 400 index – the traditional yardstick for comparison with industrials, over that period.

It was in the final three months that the money-centre stocks dramatically outperformed the S & P 400, so that at the year's end, the money-centre issues showed an average gain of 34 per cent, against 25 per cent on the S&P index.

That is the heart of the stock market's case for expecting further gains in money-centre stocks over the opening three months of the new year.

Surprisingly, bank stocks still seem to be relatively low-rated in the market, despite their strength over the past year. The average price/earnings ratio on money-centre banks is still less than 50 per cent of that on the S & P. In mid-1985, the bank p/e ratios stood at a more normal 70 per cent on the S & P, so present levels indicate that there is room for a further advance in stock prices.

The scope for improvement ranges widely. Citicorp, high on the list of the market's favourites, rates a p/e only just below 50 per cent of the S & P, while Chase Manhattan and Chemical New York fall well short of it.

Earnings ratios on the regional banks are mostly higher than those on the money-centre stocks, and the stocks have thus correspondingly less room for further gain.

Overall, the bank stocks, although the most interest-rate-sensitive sector of the market, failed last year to match the performance of insurance, thrift and even brokerage stocks.

The omens suggest that they still have some catching up to do, and that last week's buyers of the money centre issues are away to a good start to 1986.

David Gardner looks at the US-Mexico summit

Baker debt plan given boost

THE BORDER summit in Mexicali between President Miguel de la Madrid and President Ronald Reagan appears to have set the seal on markedly improved Mexican-US relations, and to have given "new momentum," in the words of a senior US Administration official, to the Baker Plan for relieving Third World indebtedness.

The four-hour meeting on Friday afternoon began and ended with two thundering 21-gun salutes. But whereas gunpowder smoke from the opening cannonades threatened totally to envelop the arriving delegation, by the time of the parting howitzer salute, the wind was clearly blowing another way.

At the foot of Mr Reagan's helicopter, the two presidents even shared an unscheduled embrace, an important ritual in Latin American politics and diplomacy but one that had been ruled out because of the two men's difference in stature.

President Reagan emphasised that the US stood ready to assist Mexico, which owes $96bn abroad, in tackling its financial difficulties, while Mr Jesús Silva Herzog, the Mexican Finance Minister, said afterwards that the talks "will help smooth our path in 1986."

Mexico's difficulties in servicing its debt, particularly in the face of falling prices for oil, its principal export, dominated the meeting. The Baker Plan, according to officials from both sides, was "the heart of the economic discussion."

Little detail has emerged of the talks between Mr Silva Herzog and Mr James Baker, the US Treasury Secretary and author of the plan to engineer new commercial and multilateral credit for Third World debtors who commit themselves to structural economic reform. However, Mexico believes the reforms it is already trying to introduce fall well within this so far vague definition, and that it is therefore well placed to take advantage of the plan's benefits.

Mexico's main caveats, officials say, are that the Baker Plan itself should not be seen as a solution to the debt problem, and that no such solution is imaginable without the restoration of growth to Latin America's economies.

A senior US official at the meeting insisted that the plan accommodated that need. "The Baker Plan is a very flexible approach, orientated towards growth, not austerity," he said. The US had "the impression that Mexico will take early advantage of it."

More immediately, the US would fully support Mexico's efforts to secure new net foreign finance this year of about $4bn, officials from both sides said.

Relations between the two countries have been bedevilled over the past two years principally by differences over the Central America conflict and Washington's dismay over Mexico's growing role in the international drugs traffic.

Last spring's murder of Enrique Camarena, a US Drug Enforcement Agency undercover agent, by Mexican narcotics barons, apparently under the protection of senior police officials, led to a near breakdown of diplomatic contact and a partial closure by the US of its 3,000 km border with Mexico.

The most tangible decision so far to have emerged from Friday's talks is that Mexico will host an international summit of attorneys-general on how best to co-ordinate action against the drugs industry.

Central America, the issue that has dominated the three previous meetings between Mr de la Madrid and Mr Reagan, still presents an important difference, which is acknowledged by both sides, but on which they have seemingly agreed to differ.

Mr de la Madrid emphasised at the meeting the need to seek negotiated solutions to the region's conflicts based on each individual country's right to self-determination – a clear reference to Nicaragua. But in practice, Mexican efforts to promote that – through the Contadora group along with Colombia, Panama and Venezuela, and through the talks in the Mexican resort of Manzanillo it promoted last year between the US and Nicaragua's left-wing Sandinista Government – have flagged.

The Manzanillo talks have been suspended indefinitely, Mexico has withdrawn from the front line of the peace effort, and the US is once again able to applaud the sentiments behind the Contadora process in the knowledge that it is bogged down in procedural obfuscation, caused primarily by its own Central American allies, El Salvador, Honduras and Costa Rica.

Senior US officials in Mexicali sounded unusually comfortable in their expositions of Washington's differences with Mexico over Central America, which centre increasingly on the war the US is waging by proxy against Nicaragua through the Contras based in Honduras and Costa Rica and the economic embargo against the Sandinistas.

One senior US Administration official explained that "the Mexican view emphasises diplomacy as the only effective method ... our view is that very strong pressure is required to make diplomacy work," almost as though only nitpickers could distinguish between the two formulations.

The same official had earlier expressed the belief that Latin American and West European opinion had "in general been moving our way on the Central American issue." Such a perception of Mexico's growing isolation, and faltering protagonism on the issue appears to underlie the new ease with which Washington now accommodates the Mexican view of the region, and has added a much-needed glow to the two countries' bilateral relations.

Changes sought in N. Ireland one-judge, non-jury courts

BY HUGH CARNEGY IN DUBLIN

MR PETER BARRY, the Irish Foreign Minister, yesterday called strongly for changes in the one-judge, non-jury courts in Northern Ireland and said he wanted radical changes in the use of informers by the Royal Ulster Constabulary.

It was tha most explicit public comment by the Irish Government on its unhappiness over the Northern Ireland system of justice since the signing in November of the Anglo-Irish agreement which for the first time gave Dublin a consultative role in the affairs of the province.

Mr Barry's comments contradict an understanding that the two sides would confine their differences to the privacy of the intergovernmental conference set up under the pact.

They indicate the level of concern in Dublin that changes must be made quickly to prevent more disaffected nationalists from supporting the Irish Republican Army (IRA) and its political wing, Sinn Fein.

That is seen as especially important because the by-elections caused by the resignation from Westminster of Unionist MPs protesting at the accord are due on January 23.

Mr Barry is co-chairman with Mr Tom King, Northern Ireland Secretary, of the intergovernmental conference.

Last week he called a special meeting of the conference to express concerns after the conviction of 27 Republicans jailed for from five years to life on the evidence of Mr Harry Kirkpatrick, n convicted Irish National Liberation Army killer turned informer. Three of the prisoners are on bunger strike in protest.

Mr Barry said in a radio interview that an anticipated announcement that jury courts would be reintroduced for non-terrorist crimes in Northern Ireland did not go far enough.

"These are really quite minimal [changes] and in our efforts to build up confidence in the administration of justice we would be looking for much more than that," he said.

Outlining what he called minimal demands, he said he wanted the present single judges sitting in the so-called Diplock courts increased to three.

On informers, he said there should be no convictions on uncorroborated evidence; limits should be set on the number of defendants arraigned in n single trial; and the duration of trials should be reduced. It was unacceptable that defendants could be held as long as four years before all appeals processes had been completed.

Street violence, Page 6

Improved Sikorsky offer expected

Continued from Page 1

be continued to campaign in favour of the European rescue package for Westland despite the Cabinet agreement not to take sides.

He is, however, seeking to shift the public focus away from himself onto leading British industrialists following yesterday's approach by GEC and British Aerospace to the Westland board. He also backs the call for a postponement of the company's January 14 meeting to give more time for the European option to be considered and to gain support.

There appears to be no immediate question of either his resignation or dismissal but this could change if Mrs Margaret Thatcher moves away from her present detached approach.

The Prime Minister bas refused to reopen the question or to discuss it with him despite a request from the Defence Secretary for it to be reconsidered by a Cabinet committee.

The issue was not mentioned last Friday at a Cabinet committee meeting primarily called to discuss the Channel fixed link, even though the meeting was chaired by Mrs Thatcher and attended by both Mr Heseltine and the other main protagonist, Mr Leon Brittan, the Trade and Industry Secretary.

However, Mr Heseltine has the right to raise the matter at the Cabinet meeting this Thursday, even though Mrs Thatcher can cut off discussion. He believes that if the issue is fully discussed and, the Government takes a position, it is bound to be in favour of the European offer.

Mrs Thatcher's view seems to be that, since that decision is being left to the company, there is nothing more for the Government to say or do, and that Mr Heseltine is only isolating and injuring himself by his, possibly unsuccessful campaign.

Mr Heseltine's allies say he has not violated the letter of the Cabinet decision of December 19 which allowed him to deal with defence procurement aspects. He has not publicly questioned the way the matter has been handled by other ministers, and his letter last Friday to the European consortium was merely an amplification of the Prime Minister's letter on Thursday.

However, some of Mr Heseltine's colleagues, especially Mr Brittan's supporters, argue that the Defence Secretary is flagrantly undermining the spirit of the Cabinet's approach by the extent of his intervention in the affairs of Westland and that therefore he should be told to be quiet.

Some senior party managers take this view given the possible damage to the Government and they want the affair to be over when Parliament returns next week.

Mr Heseltine would be placed in an even more vulnerable, and possibly untenable, position if Mrs Thatcher this week instructs him not to make any further comment and if the January 14 meeting goes ahead with the Sikorsky/Fiat option being overwhelmingly approved.

The Defence Secretary's current tactics are to stress the implications for British industry. This has been aided by the warning about possible adverse implications for British companies of the Sikorsky/Fiat option from Lord Gregson, the president of the Defence Manufacturers Association. Mr Heseltine is also clearly hoping that the initiative will now be taken up by GEC and British Aerospace to reduce charges of political interference.

Mr Heseltine has been careful to keep in touch with many of the leading defence specialists among Tory MPs, including the officers of the backbench committee, who have been active on his behalf.

Hart drops out of Senate contest

By Nancy Dunne in Washington

SENATOR Gary Hart, a candidate for the Democratic presidential nomination in 1984, said at the weekend that he would not seek re-election to the US Senate next year, but stopped short of announcing an outright bid for the presidential nomination in 1988.

Mr Hart, whose campaign for "new ideas" brought him close to beating former Vice President Walter Mondale for the Democratic nomination two years ago, is widely considered to be the front runner, now that Sen Edward Kennedy has dropped out of the contest. He is expected, however, to face a clutch of attractive lesser-known candidates, including Sens Bill Bradley of New Jersey and Joseph Biden of Delaware, and New York Governor Mario Cuomo.

Still burdened with n $3.4m campaign debt from his 1984 presidential run, Mr Hart hinted broadly that he would enter the contest in 1988 and, in the meantime, concentrate his efforts on fund-raising and "on our unmet agenda for the future."

"My work has yet to be done," be said, speaking at a well-orchestrated press conference near his picturesque Colorado log cabin. "As I forge some role to help move our party and our country into the future, I won't be coy about my plans," he said.

By withdrawing from the Colorado Senate race, n contest he insisted he could win, Mr Hart leaves open a key seat in the coming battle for control of the Upper House. The leading contender to fill Mr Hart's seat is Democratic Representative Timothy Wirth, a leader on telecommunications issues in the House and one who may be attacked for his role in the unpopular break-up of the Bell telephone system.

At least three Colorado Republicans will seek their party nomination for the Senate seat. The best known is Representative Ken Kramer, a four-term Congressman and n leading advocate of the US Strategic Defence Initiative.

Inquiry begins into leak at nuclear plant

Continued from Page 1

tion to the eyes, skin and respiratory system.

A Kerr-McGee spokesman said that a radiation survey of the area would be conducted, but a preliminary study indicated that radioactivity was at normal levels.

The incident is believed to be the most serious in the US nuclear industry since the accident at the Three Mile Island power plant near Harrisburg, Pennsylvania in 1979. That plant was itself closed yesterday when a valve failed to open and allowed a small cloud with traces of radioactivity to escape. It was later restarted.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	C	15	59	Dubrovnik	S	11	52	Malaga	S	14	57	Salzburg	S	-1	30
Akrotiri	S	15	59	Faro	S	15	59	Malta	F	15	59	Seoul	F	-14	7
Algiers	S	15	59	Florence	S	9	48	Manila	S	30	86	Singapore	S	25	77
Amsterdam	C	2	36	Frankfurt	C	1	34	Miami	S	18	64	Stockholm	Sn	-8	18
Athens	S	18	64	Funchal	C	16	61	Milan	F	0	32	Strasbourg	F	3	37
Bahrain	S	19	66	Geneva	F	1	34	Moscow	C	-7	19	Sydney	F	23	73
Bangkok	S	28	82	Gibraltar	F	15	59	Munich	S	-1	30	Taipei	F	11	52
Barcelona	F	12	54	Guernsey	R	5	41	Nairobi	F	26	79	Tangier	C	12	54
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Readings at mid-day yesterday

C-Cloudy D-Drizzle F-Fair Fg-Fog R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

US and Israel given warning

Continued from Page 1

had come from Libya. "They might have come from America," he said. "There are thousands of Palestinian refugees in America."

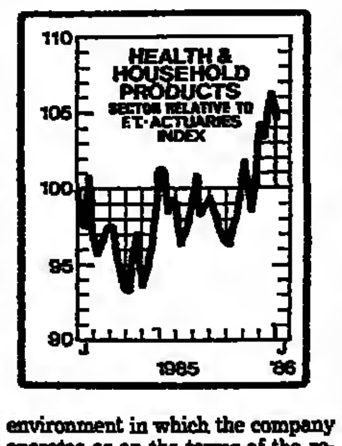
"We support freedom fighters, particularly our brother Palestinians, but we are not responsible for their attacks," the Libyan leader said.

Mr Yassir Arafat, the chairman of the PLO which several years ago condemned Abu Nidal to death, claimed in an interview yesterday that Syria and Libya were behind recent terrorist attacks and hijackings.

THE LEX COLUMN

The blades out at Westland

The struggle for the future of Westland has long ceased to be n straight reconstruction exercise, in the manner of the last Cuckney/Lazards joint effort at John Brown, and has begun to resemble n contested takeover à la Dunlop. The revised recapitalisation terms involving UTC and Fiat, which will be presented to the public today and to shareholders formally on January 14, are most unlikely to be the last word on the subject. Too much political and industrial capital has gone into the rival proposal from the European consortium for Westland to vanish from the news pages for eight days.



As it is, today's revised proposals – whatever their legal status – should make up the financial disadvantages which the institutions and the creditor banks have been quick to detect in the American-Italian scheme. Given the rise in Westland's price to 85p, the 5p difference between the two subscription prices for the rights issue does not amount to much; however, in switching the UTC option over Westland equity to the shareholders – as in the European scheme – the institutions will now be left with a fully diluted shareholding equivalent to that proposed by the Europeans. As for the banks, it seems that the European offer on the conversion of debt will be matched. Presumably, the £5m difference will not bust the bank at Sikorsky or Fiat.

However, the real problem arises in the way the Westland board is set on presenting only the American-based proposal to shareholders. Of course a single recommendation would be the board's responsibility; anyway, with two rival proposals, neither would probably achieve the necessary 75 per cent approval, thus plunging Westland back into its hole. This does not mean that the institutions will not reject the proposal or the consortium take legal action, improve its offer or even buy some Westland shares. Indeed, it is hard to imagine either the UK Defence Ministry or the European companies being content to have acted merely as a stimulus to an improved proposal involving Sikorsky.

But unlike a cash takeover, shareholders cannot take their money and run: the residual value of Westland paper will depend as much on the political and industrial environment in which the company operates as on the terms of the reconstruction. The Defence Ministry, which was quite content to consign defence issues relating to British Aerospace and the Royal Ordnance to the market, has decided otherwise with n company much smaller; but in the absence of firmer statements from continental Europe, shareholders might consider that European collaboration needs the UK as much as vice-versa. They might also consider that Sir John Cuckney, who more than anyone else has returned the value to their holdings, probably has sound management reasons for preferring the Sikorsky-based solution.

Wellcome

The offer for sale later this month of the Wellcome Foundation has the potential for going very badly wrong. Ever since the Wellcome Trust announced its intention of realising part of its holding, every sort of contra-indication has appeared: the long slide in the dollar relative to sterling has overturned assumptions about the 70 per cent of Wellcome's profits that arise in the US and about margins in the export business while rising spending on drug research and development has wiped out any remaining nominal profits growth for this year.

It is now more than probable that the Foundation's maiden set of interim results in public hands will show a pre-tax performance about £5m down on last year's £70m while earnings for the year to August, depressed by the high taxation of US income, will be short of last year's £88.7m.

A single poor year in prospect would not much matter if the management of the Foundation were communicating enthusiasm to the market. The opposite is the case. At times, the Wellcome board has seemed to be rubbing its hands at the dim short-term outlook while warning that new products in the research laboratories, even if effective are n long way from prescription. Of course, no business with the traditions of the Wellcome Foundation would wish to start public life on n stock-market treadmill; but the Trust, and its advisers at Robert Fleming, must be worried that its 20 per cent might better have been left earning reasonable sums under covenant.

But that is only half the story. If this year's forecast performance by the Foundation were restated at 1983-84 exchange rates, profits growth would still beat estimates for the market as a whole and all but Glaxo and Fisons in the pharmaceutical sector. Meanwhile, if the animal health business is excluded, Wellcome is as profitable as the best standards of the industry – despite expenditure on research that all but matches ICI Pharmaceutical as a proportion of sales.

At a multiple of 15 or 16 times expected earnings, Wellcome will rank with Fisons equal third in sector market capitalisation behind Glaxo – where there are doubts about the continued phenomenal growth of Zantac – and Beecham, whose share price contains a bid premium that used to be considered fanciful in such a large capitalisation stock. However, only 25 per cent of Wellcome's equity is on offer, and none of that is being placed with US professionals for whom Burroughs Wellcome is a respected name. The last large pharmaceuticals company offered to the London market was Amersham, and everybody knows what happened there; while being a dollar play with the dollar falling did Laura Ashley's share price no harm.

If this suggests that Wellcome might be a candidate for offer by tender, then the six merchant banks and brokers involved would do well to consider that path. Stags and underwriters might not be happy, and a tender might be somewhat *brutta figura* for Flemings; but it might well save embarrassment for all concerned.

Grant Thornton AYLESBURY
Grant Thornton CRAWLEY
Grant Thornton ISLE OF WIGHT
Grant Thornton NORTHAMPTON
Grant Thornton BANBURY
Grant Thornton EASTBOURNE
Grant Thornton KETTERING
Grant Thornton NOTTINGHAM
Grant Thornton BATH
Grant Thornton EDINBURGH
Grant Thornton LEEDS
Grant Thornton NUNEATON
Grant Thornton BEDFORD
Grant Thornton EVESHAM
Grant Thornton LEICESTER
Grant Thornton OXFORD
Grant Thornton BIRMINGHAM
Grant Thornton GALASHIELS
Grant Thornton LIVERPOOL
Grant Thornton PETERSFIELD
Grant Thornton BOURNEMOUTH
Grant Thornton BRADFORD
Grant Thornton BRIGHTON
Grant Thornton BRISTOL
Grant Thornton BURY ST. EDMUNDS
Grant Thornton CARDIFF
Grant Thornton CHICHESTER
Grant Thornton PLYMOUTH
Grant Thornton POOLE
Grant Thornton PORTSMOUTH
Grant Thornton PRESTON
Grant Thornton READING
Grant Thornton RUSHDEN
Grant Thornton SHEFFIELD

Thornton Baker are pleased to announce 55 new offices.

Grant Thornton CHIPPING NORTON
Grant Thornton GLASGOW
Grant Thornton LONDON
Grant Thornton SOUTHAMPTON
Grant Thornton CLECKHEATON
Grant Thornton HEXHAM
Grant Thornton LUTON
Grant Thornton WARRINGTON
Grant Thornton CLYDEBANK
Grant Thornton HIGH WYCOMBE
Grant Thornton MANCHESTER
Grant Thornton WELLINGBOROUGH
Grant Thornton CORBY
Grant Thornton HINCKLEY
Grant Thornton MILTON KEYNES
Grant Thornton WITNEY
Grant Thornton COVENTRY
Grant Thornton IPSWICH
Grant Thornton NEWCASTLE
Grant Thornton WORTHING

From January 1st Thornton Baker will be known as Grant Thornton.

A change of name but not a change of philosophy. We still plan to offer the same close personal service backed by the largest network of regional offices in the country.

With more offices in more places, we have an in-depth knowledge of the local business environment which enables us to offer more informed advice on your business.

This increases our familiarity with both individuals and their business needs. And, quite simply, makes keeping in touch that much easier.

Because direct involvement has no substitute, at Grant Thornton our structure guarantees that every office has partners directly involved in the business.

Their involvement is an essential part of our service.

The high ratio of partners to staff enables complex problems to be dealt with by senior people and ensures every client has access to expert opinion on the spot.

At the same time we always have the flexibility to call on support from our national resources.

Every Grant Thornton office can offer you traditional financial guidance or general business advice whether you're an individual or responsible for running a business.

Return the coupon for more information or if you have a specific enquiry please telephone your local office. The sooner you do, the closer we'll get.

Name (Mr Mrs Ms)
Job Title
Company
Address
Postcode Tel FT6/1

Grant Thornton
CHARTERED ACCOUNTANTS
The UK member firm of Grant Thornton International.

KIVETON PARK STEEL
BRIGHT FREE MACHINING STEEL FOR FORGING, UPSETTING & EXTRUSION FROM KIVETON PARK
● Rounds, hexagons, flats, carbon and alloy steels. Coated coils for cold forging and extrusion, sections a speciality.
● All in a wide range of finishes. Sizes from ⅛" - 3"
KIVETON PARK STEEL & WIRE WORKS LTD
KPS

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Monday January 6 1986

Lovell
BICENTENARY
Two centuries strong and building
1786 1986

Dutch bankers hail deregulation

WHILE most Eurobond syndicate managers headed for the ski slopes last week, bankers in the Netherlands stayed at home to usher in a new liberalised era in the Dutch capital markets, writes **Alexander Nicoll in London.**

The Amsterdam bond market had until the end of 1985 been fettered by many restrictions on the timing, nature and maturity of debt securities issues. The chains have not all been removed, but the appearance of every type of newly allowed paper on the first available day was an eloquent gesture of the markets' gratitude to the Government.

Despite the initial rush, however, it is not expected that there will be a huge upsurge in bond issue volume on the domestic Dutch market.

With the bond market dominated up to now by the Government, borrowers are accustomed to being served by a well-established domestic long-term loan market. And though Dutch institutions are currently quite liquid, there are plenty of investment avenues other than the domestic bond market, particularly at a time of booming equity markets across Europe and elsewhere.

Besides, Dutch investors already rank alongside the famed Belgian dentist as buyers of Eurobonds.

Nevertheless, the latest deregulation considerably expands the options available to borrowers and issue managers. An issue can now be brought to market – provided there is not an issue glut forcing the central bank to step in – exactly – when conditions are judged to be propitious.

Previously, there was a strictly enforced queue system in which an issue pulled from the calendar because the market was deemed unripe would then have to wait in line again for another two months or so.

The permission of bullet issues will make it immeasurably easier to arrange swaps. Since most international bond issues now involve a swap of some kind, the change will considerably enhance Amsterdam's attractions for borrowers.

Previously the authorities, concerned about distinguishing between money market and capital market instruments, had forced all bond issues to have serial maturities.

Last week's Fl 500m straight World Bank issue, led by Algemene Bank Nederland, was well received while the Fl 250m Security Pacific floater, led by Amsterdam-Rotterdam Bank, met some resistance in some quarters because its pricing, at ¼ point above Libor with an 8 per cent cap, was seen as too aggressive. Both issues obtained broadly spread groups of co-managers including many leading Eurobond issuing houses.

The commercial paper and certificate of deposit markets, though both saw new issues from ABN – the paper was issued by Akzo – are expected to develop more slowly.

On the Eurobond market, Christmas and the turn of the year saw only a handful of new issues. Those that were launched went well. Secondary markets essentially marked time. Swiss and German markets both showed marginal gains where changed on Friday.

The yen sector has been among the most active, with Friday seeing a Y20bn issue from Ford Motor Credit. Nikko Securities (Europe) is lead-manager of the five-year bullet, with a 6¾ per cent coupon and a price of 101⅛.

The growing role of the yen in the Eurobond market is one of the most striking features of the accompanying statistics, which were compiled by IDD Information Services. The dollar's share of the market, though still dominant, dropped from 77 per cent to 70 per cent. With the D-Mark retaining second position with 8 per cent of the market, the yen jumped from sixth place to third, with market share rising from 2 to 5 per cent.

The reopening of the French franc market pushed the currency into a respectable eighth position, but the sharpest increase was recorded by the Australian and New Zealand dollars. Even though they remain a small part of the overall market, the increase in the number of issues is impressive.

Amid such an increase in overall market volume – up 71 per cent on 1984 at $134.4bn – it is not surprising that there should be modest variations in individual houses' market shares. Virtually every house in the market will have managed considerably more issues in 1985 than in 1984.

Credit Suisse First Boston, with 14.3 per cent of the entire market against 18.1 per cent in 1984, remains the dominant issuing house.

Merrill Lynch and Salomon Brothers edge above Deutsche Bank, Morgan Guaranty and Morgan Stanley into second and third place respectively.

TOP 20 EUROBOND LEAD MANAGERS

Manager	1985 $bn Amount	1985 Rank	1985 Market share %	1985 Issues	1984 $bn Amount	1984 Rank	1984 Market share %	1984 Issues
Credit Suisse First Boston	19.208	(1)	14.3	103	12.633	(1)	18.1	83
Merrill Lynch Capital Markets	7.924	(2)	5.9	40	4.302	(6)	5.5	26
Salomon Brothers	7.843	(3)	5.8	87	4.502	(5)	5.7	31
Deutsche Bank	7.838	(4)	5.8	78	8.161	(2)	7.8	70
Morgan Guaranty	7.782	(5)	5.8	62	5.967	(3)	7.9	34
Morgan Stanley	6.520	(6)	4.8	83	5.504	(4)	7.0	47
Goldman, Sachs	5.410	(7)	4.0	41	2.373	(8)	3.0	21
Nomura Securities	5.087	(8)	3.8	62	2.734	(7)	3.5	37
Union Bank of Switzerland	3.835	(9)	2.9	28	0.390	(40)	0.5	5
Banque Paribas	3.376	(10)	2.5	56	1.458	(13)	1.9	16
Daiwa Securities	2.988	(11)	2.2	38	1.420	(14)	1.8	26
Orion Royal Bank	2.942	(12)	2.2	51	1.127	(18)	1.4	19
Swiss Bank	2.546	(13)	1.9	23	1.284	(16)	1.6	14
Commerzbank	2.545	(14)	1.9	30	1.463	(12)	1.9	27
Shearson Lehman Brothers	2.492	(15)	1.9	19	1.203	(17)	1.5	11
Bankers Trust	2.416	(16)	1.8	25	0.863	(23)	1.1	7
S. G. Warburg	2.398	(17)	1.8	25	1.922	(9)	2.4	34
County Bank	2.341	(18)	1.7	9	0.752	(24)	1.0	5
Lloyds Bank	2.321	(19)	1.7	8	0.446	(37)	0.6	2
Yamaichi	2.242	(20)	1.7	32	1.036	(20)	1.3	22
Industry Totals	134.294			1,365	78.808			830

Note: Full credit given to book runner

EUROBOND ISSUES BY CURRENCY

1985 Rank	Currency	Total raised ($bn)	No. of issues	1984 Rank	Total raised ($bn)	No. of issues
1	US$	94.155	661	(1)	60.881	469
2	DM	11.186	165	(2)	6.571	30
3	Yen	7.019	90	(8)	1.360	20
4	Ecu	6.797	127	(4)	2.631	62
5	Sterling	5.498	60	(3)	4.138	48
6	A$	3.134	92	(8)	0.322	10
7	C$	2.883	55	(5)	1.947	41
8	FFr	1.711	21	(–)	–	–
9	NZ$	1.062	48	(10)	0.641	3
10	Fl	0.769	27	(7)	0.659	20

Source: IDD Information Services

Of Truffles and Perrier pipes

OVER the Christmas party season, our Euromarkets staff conducted a survey of bankers' predictions for 1986.

January: 8am. Credit Suisse First Boston launches its first Eurobond deal of the year, displacing Nikko Securities at the top of the league tables.

12am. CSFB launches its third deal of the year, bringing its total to $1bn. Its position remains unassailable all year. Surprise abounds when Hans-Joerg Rudloff tells Euromoney that the Eurobond market is on the verge of death.

February: Merrill Lynch brings the first TRUFFLE to the market. The Transferable Revolving Underwriting Facility for Financing Loose Ends is hailed as a major and exclusive innovation. The name quickly proves justified, however. Buying even a very small portion of the deal turns out to be highly expensive for participating houses.

March: In a desperate effort to reduce the budget deficit, President Reagan mortgages the White House. Salomon Brothers repackage the mortgage and sell it in Europe.

Ford, GMAC and Chrysler each launch their 10th deal of the year – none of them has given co-managers a profit.

April: On the first day of the month, the World Bank launches the first fixed-rate perpetual issue in the Eurodollar bond market. Bankers hail it as a sign of the maturity of the market but then realise Eugene Rotberg was only kidding.

An amendment added to the Financial Services Bill going through the UK parliament requires dealers to pass a simple literacy test. Salaries of Eurobond dealers who can do so double; the rest move offshore.

May: Bond dealers gathering at the AIBD's annual cocktail party in Singapore discover that the weather is better than in Luxembourg and vote to turn the Eurobond market into the Asiabond market.

June: Morgan Guaranty adds a twist to its flip-flop floater idea, making it a double back-somersault. Sweden's Peter Engstrom wins the gold in the Eurogymnastics event.

CSFB launches its 100th deal of the year – an international share placing for a small Swiss chocolate company.

July: General Electric Credit Corp invites every member of IPMA to bid for a $100m deal, but then chooses the domestic market after all.

August: S. G. Warburg launches "Beasts" – Bearer Eurosterling Asset Stripping Transferable Securities – the first zero-coupon junk bond used to defend a company from an unwelcome predator.

September: CSFB launches its 150th deal of the year. Mr Rudloff announces that the market is not dead yet.

Applications for places at the Brussels School of Dentistry exceed supply by a factor of 10. Luxembourg banks buy the list for a mail shot to find new clients.

October: Fuji Bank shoots surprisingly to the top of the syndicated loan league tables. It launches the first deal of the year, a $12m credit for the Andorra Narrow Gauge Railway. In a fit of pique Citicorp retaliates with a $5bn certificate of deposit programme for its Singapore branch.

November: Banque Nationale de Paris launches a $1bn project financing credit to fund a cross-Channel Perrier pipeline. The proposed Channel Tunnel is declared redundant as a result, dashing hopes of vast lending opportunities for international banks. But US banks still refuse to join the Perrier deal on the ground that Mrs Thatcher's Government will not guarantee its consumption of Perrier water.

December: Faced with the total failure of previous efforts to curb the US budget deficit, Treasury Secretary James Baker declares that the US has become the 16th country eligible to benefit from his plan for easing the debt crisis. The plan is modified to absolve all beneficiaries from any economic policy conditions.

Once again the Eurobond market has achieved a record volume with $300bn of new issues launched during the year. Deal of the year was a $5bn floating-rate-note issue paying ⅟₁₆ per cent under Libid for Papua New Guinea. This demonstrates once again the depth and maturity of this market, and also thet during the year every floater that could be called has been.

EURONOTES AND CREDITS

Merrill adds currency twist to RUF

A NEW TWIST has been given to the revolving underwriting facility (RUF) in a deal being arranged by Merrill Lynch Capital Markets for Société Lyonnaise de Banque, France's largest regional bank and the country's 15th largest by assets, writes **Alexander Nicoll in London.**

Underwriters of the $50m five-year credit will each be given the option every six months to receive, instead of the 10 basis-point annual underwriting fee, a line extended by Lyonnaise in domestic French francs. The option will apply to each $1m amount underwritten, so that a bank underwriting this amount would be able to borrow, instead of receiving its fee, the franc equivalent of $1m.

The effect of exercising the option would be that participating banks and Lyonnaise guaranteed to lend to each other without paying or receiving underwriting fees.

The multicurrency transferable RUF will enable Lyonnaise to issue certificates of deposit in dollars or European currency units, with an issuer-set margin at a maximum of 10 basis points above London interbank offered rates. The facility will be a club deal, and management fees are not being disclosed.

County Bank and Crédit Lyonnais have been mandated by Centrale Nucléaire Européenne à Neutrons Rapides, the nuclear energy agency owned by European electricity companies including Electricité de France, for a £125m loan with a spread of ⅛ point above Libor for the first three years and ³⁄₁₆ for the remaining seven years.

Siemens, the industrial group, is the first West German borrower to arrange a Euro-commercial paper programme without a backup credit facility. The company has appointed Deutsche Bank Capital Markets and Morgan Guaranty as dealers for a $100m Euro-programme.

PepsiCo, the US drinks manufacturer, is also planning a substantial Eurocommercial paper programme of no fixed size through Salomon Brothers International, Swiss Bank Corporation International and Union Bank of Switzerland (Securities).

● Mr Jiri Huebner, an executive director at Chase Manhattan in London and a well-known figure in the Euromarkets, is leaving Chase to join Credit Suisse First Boston. He will be a director of CSFB on the banking side and will be based eventually in New York. He is expected to work on developing new types of Euromarkets business for CSFB, with the focus on US borrowers.

EUROMARKET TURNOVER
Turnover ($m)

Primary Market	Straights	Conv	FRN	Other
US$	1,777.6	1.7	509.0	101.0
Prev	3,110.7	138.2	417.5	178.1
Other	419.8	0.9	439.2	37.7
Prev	708.5	24.7	132.7	82.7
Secondary Market				
US$	10,402.7	823.1	6,801.6	1,669.4
Prev	13,108.5	774.6	8,890.5	2,009.8
Other	2,774.2	98.3	973.1	1,938.3
Prev	2,387.5	148.3	1,581.6	1,371.4

	Cedel	Euroclear	Total
US$	6,393.9	15,712.2	22,106.1
Prev	7,402.8	20,925.1	28,327.9
Other	3,167.1	3,512.4	6,679.5
Prev	3,146.1	3,291.3	6,437.4

Week to January 2 1986 — Source: AIBD

These Bonds having been sold outside the United States of America, this announcement appears as a matter of record only.

New Issue — December 1985

CHARTER MEDICAL CORPORATION

Swiss Francs 86 000 000
6% Bonds 1985-1995

SODITIC S.A.

BA FINANZ (SCHWEIZ) AG
BANK HEUSSER & CIE AG
BANQUE PARIBAS (SUISSE) S.A.
CHASE MANHATTAN BANK (SWITZERLAND)
CRÉDIT DES BERGUES
MANUFACTURERS HANOVER (SUISSE) S.A.
SAMUEL MONTAGU (SUISSE) S.A.
AMRO BANK UND FINANZ
BANQUE GUTZWILLER, KURZ, BUNGENER S.A.
BANQUE PASCHE S.A.
COMPAGNIE DE BANQUE ET D'INVESTISSEMENTS, CBI
KREDIETBANK (SUISSE) S.A.
NIPPON KANGYO KAKUMARU (SUISSE) S.A.

Chemical Bank (Suisse)
LTCB (Schweiz) AG
Citicorp Bank (Switzerland)

BFC Banque Financière de la Cité
Bank Künzler AG
Bank Oppenheim Pierson (Schweiz) AG
Banque Bruxelles Lambert (Suisse) S.A.
Banque Kleinwort Benson SA
Banque Scandinave en Suisse
Canadian Imperial Bank of Commerce (Suisse) S.A.
Great Pacific Capital
Hottinger & Cie
The Royal Bank of Canada (Suisse)
Volksbank Willisau AG
Bank in Langnau
Bank Leumi le-Israël (Schweiz)
Bankers Trust AG
Banque Indosuez, Succursales de Suisse
Banque de Participations et de Placements S.A.
Barclays Bank (Suisse) S.A.
Crédit Lyonnais Finanz AG Zürich
Grindlays Bank p.l.c.
Privat Kredit Bank
J. Henry Schroder Bank AG

Advisor to the Borrower:
DREXEL BURNHAM LAMBERT INCORPORATED, New York

These bonds having been sold, this announcement appears as a matter of record only.

New Issue — December 1985

REPUBBLICA ITALIANA

THE REPUBLIC OF ITALY

Zero Coupon Bonds of 1985, due 2005
of Swiss Francs 300 000 000

SODITIC S.A.
BANQUE GUTZWILLER, KURZ, BUNGENER S.A.
BANCA COMMERCIALE ITALIANA (SUISSE)

Amro Bank und Finanz
Bank Heusser & Cie AG
Bank Oppenheim Pierson (Schweiz) AG
Banque Indosuez, Succursales de Suisse
Banque Pasche S.A.
Chemical Bank (Suisse)
Compagnie de Banque et d'Investissements, CBI
Kredietbank (Suisse) S.A.
Lloyds Bank International Ltd.
Nippon Kangyo Kakumaru (Suisse) S.A.
Nordfinanz-Bank Zürich
Turic AG, Finanz- und Verwaltungsgesellschaft (IMI Group)
Crédit Commercial de France (Suisse) S.A.
Samuel Montagu (Suisse) S.A.
Banque Nationale de Paris (Suisse) S.A.
Internationale Genossenschaftsbank AG
J. Henry Schroder Bank AG
Banca di Credito Commerciale e Mobiliare S.A.
Banca del Sempione
Banca Solari & Blum S.A.

Citicorp Bank (Switzerland)
Handelsfinanz Midland Bank
Bank in Huttwil
Bank in Ins
Bank Langenthal
Bank in Langnau
Bank Neumünster
Bank Rohner AG

American Express Bank (Switzerland) AG
BA Finanz (Schweiz) AG
Bank Leumi le-Israël (Schweiz)
Bank of Tokyo (Schweiz) AG
Barclays Bank (Suisse) S.A.
Canadian Imperial Bank of Commerce (Suisse) S.A.
Chase Manhattan Bank (Switzerland)
Dai-Ichi Kangyo Bank (Schweiz) AG
Daiwa (Switzerland) Ltd.
First Chicago S.A.
Fuji Bank (Schweiz) AG
Lavoro Bank AG
LTCB (Schweiz) AG
Morgan Stanley S.A.
Nomura (Switzerland) Ltd.
Sumitomo International Finance AG
Sumitomo Trust Finance (Switzerland) Ltd.
Banque de Dépôts et de Gestion
Banque Louis-Dreyfus en Suisse S.A.
Crédit Lyonnais Finanz AG Zürich
Great Pacific Capital
Grindlays Bank P.l.c.
E. Gutzwiller & Cie
Overland Trust Banca
Rüegg Bank AG
St. Gallische Creditanstalt
Società Bancaria Ticinese
Solothurner Handelsbank
Spar- und Leihkasse Schaffhausen
Volksbank Willisau AG

Advisor:
FINEUROP spa

Chris Sherwell and **Wong Sulong** on the pressures facing a Malaysian entrepreneur

A triple challenge for Tan Koon Swan

THERE IS A Chinese proverb of special relevance in these troubled times in Singapore and Malaysia: "You can be smart most of the time, but one stupid mistake can bring life-long ruin."

For Mr Tan Koon Swan, the Malaysian entrepreneur and politician, the stupid mistake, as he has confided to friends, was his involvement in Pan-Electric Industries, the Singapore marine salvage, hotel and property group now under threat of liquidation.

Pan-Electric was placed in receivership at the end of November with debts of S$400m (US$188m). The group in which Mr Tan has an indirect 22.6 per cent stake, could not meet commitments to buy S$140m-worth of shares, many of them in Mr Tan's own listed companies, Grand United Holdings (GUH) and Supreme Corporation.

Pan-Electric's problems quickly became a sensation because they threatened several broking firms and led to the unprecedented three-day closure of the Singapore and Kuala Lumpur Stock Exchanges. A lifeboat was arranged in Singapore, and then a rescue plan for Pan-Electric was agreed between Mr Tan, the company's 37 bank creditors and Price Waterhouse, the court-appointed receivers.

According to Mr Tan's associates, the past two months have been "hell" for him. Apart from his corporate woes, he has had to fight to gain the leadership of the Malaysian Chinese Association, the largest Chinese political party. It was an important victory, since the party had been riven by bitter infighting for 20 months.

"There were times when he was acting like a zombie, shuttling daily between Kuala Lumpur and Singapore, attending endless meetings, appeasing accusing bankers and top civil servants, as well as making last-minute political deals to ensure his MCA victory. The stress was too much and he made a couple of inappropriate remarks which only increased nervousness and suspicion in Singapore towards him," said one of his associates.

In Malaysia, "TKS," as Mr Tan is commonly known, is widely regarded as a brilliant businessman with a strong loyalty to friends and commitment to the Chinese community. But in Singapore he is seen as a corporate juggler and a buccaneer from up-country.

That he is still under considerable pressure, particularly from banks in Singapore, is indisputable. Last week he bought himself some time when the bulk of Pan-Electric's forward share purchase commitments were, as agreed, transferred to him personally. The Singapore and Malaysian brokers involved in the transactions in turn agreed to roll them over for another six months.

Next week, later than originally planned, he faces another difficult deadline under the agreement, to inject S$8m cash into Pan-Electric beyond the S$20m he has previously committed. After that, Price Waterhouse can still call on Mr Tan for another S$12m, and there is considerable speculation whether the already

extended Mr Tan will be able to meet these obligations.

Indeed, to many people it remains possible that both his business empire (if one can still describe it as thet) and his newly acquired political authority will disintegrate. Others say that, with each passing day, his chances of surviving appear more hopeful.

The mantle be now wears as political leader of the 5m Malaysian Chinese is his biggest asset. The Chinese community has been demoralised by the MCA in-fighting, humiliated by its diminishing influence within the Malaysian Government and squeezed by a contracting economy.

Equally important is the fact that Mr Tan's corporate dealings and commitments are only the tip of an iceberg of similar transactions built up by many entrepreneurs in Malaysla and Singapore. This fact is well appreciated by Mr Daim Zainnddin, the powerful Malaysian Finance Minister, who realises that the collapse of Mr Tan would almost certainly have a domino effect. Mr Daim himself is the strongest proponent of boosting the local stock market.

Mr Tan must now overcome three extremely difficult problems if be is to wind down his business interests and concentrate on politics. He bas pledged: The financial restructuring of Pan-Electric; the discharge of his forward contract commitments; and the protection against outside predetors of his listed companies.

He wants to raise a 100m ringgit (US$41.5m) loan in the coming weeks to help meet the forward contracts as they mature. A large Chinese-controlled company is expected to make a loan stock issue, which would be underwritten by several prominent Chinese businessmen. The nationwide MCA network of 400,000 party members would be called apon to take up the paper, though they may take considerable persuading.

To raise further funds and to place GUH and Supreme in friendly hands, he is negotiating with Unico, the investment arm of the Associated Chinese Chambers of Commerce and Industry, to take over a controlling stake in either company. Other business groups have also been approached.

These talks will take time and could break down over the crucial issue of price. GUH and Supreme were suspended more than a month ago at 1.19 ringgit and 1.39 ringgit respectively, giving them market capitalisations of 271m ringgit and 337m ringgit.

Their real value, however, would be considerably less if the shares were allowed to be traded under present conditions. It is estimated that between 15 and 20 per cent of GUH and Supreme shares are held by Singaporeans who might dump them at any price once they are relisted.

Mr Tan's close associates say the rescue of Pan-Electric continues to pose the most urgent problem, partly because of its huge debts, but largely because it is now under receivership.

"It's never easy to negotiate a deal when 37 banks are involved, each scrambling to get whatever they can for themselves," said one Malaysian businessman. For their part, Pan-Electric's creditor banks say they will go along with Mr Tan as long as doing that offers the lesser risk, yet this is plainly a matter of faith.

Ultimately the banks, the broking firms and the Singapore authorities—together with figures like Mr Daim, senior Malaysian Chinese businessmen and the whole Chinese community—have to make a judgment about Mr Tan's integrity and weigh that against the costs of not supporting him. As things stand, there may be too mnch at stake not to press on hopefully.

Court approves Baldwin agreements

By Our Financial Staff

BALDWIN-UNITED, the financial services group operating under Chapter 11 of the US Bankruptcy Code, has signed a series of agreements which, it says, clear main obstacles to its reorganisation plan.

The US Bankruptcy Court approved an agreement involving Baldwin companies, insurance regulators and banks settling claims relating to non-payment of more than $500m in loans to Balunit, a Baldwin subsidiary.

The loans were made in connection with Baldwin's purchase of MGIC Investment, a mortgage insurer, as part of an over-ambitious diversification plan. Manufacturers Hanover had previously raised objections to the reorganisation plan on behalf of the bank consortium.

Banks involved in the loans were paid on December 31 with proceeds from the sales of MGIC's mortgage guaranty and municipal bond businesses.

The court has also approved settlements between Baldwin and Merrill Lynch and other brokerage companies which sold Baldwin annuities, and which had filed in court to reindemnify claims.

As a result the brokers would withdraw their claims and any objections to the reorganisation plan, Baldwin said.

Icahn becomes TWA chairman after passing final hurdle

BY PAUL TAYLOR IN NEW YORK

MR CARL ICAHN, the Wall Street investor, has become chairman of TWA, the struggling US airline, after overcoming a last-minute stumblingblock with the air carrier's pilots and winning management approval for a revised and scaled-down no-cash partial merger deal.

Under the terms of the final agreement, which comes seven months after Mr Icahn first launched his bid for TWA, Mr Icahn, who already owns 52 per cent of TWA's stock, will acquire up to half the remaining 24m outstanding common shares paying minority shareholders completely in preferred stock.

Mr Icahn had originally planned to acquire all the remaining outstanding shares for $19.50 in cash and $4.50 in preferred stock each. By not offering any cash io the final deal Mr Icahn and TWA should emerge with $750m in cash available from planned financings being put together by Drexel Burnham Lambert, the Wall Street investment bank.

This cash could be crucially important to TWA which is expected to report a sizable fourth-quarter loss and a $140m to $150m full-year net loss. TWA also faces the prospect of a threatened strike by members of the independent federation of flight attendants – the only TWA union which has so far not agreed wage and benefit concessions with Mr Icahn.

The Wall Street investor, who already had a seat on the six-member TWA board, became chairman after he won control with two supporters when two other board members resigned.

The two board members who quit will remain on a standing committee and continue to represent the interests of the remaining public shareholders with the right to review any merger or other transactions.

The egreement with the pilots union came after key negotiations over how seniority rights at TWA would be protected should TWA take over another airline or itself be acquired. Mr Icahn approached both Northwest Airlines and American Airlines earlier last year.

The pilots' agreement followed contract settlements with the International Association of Machinists and Aerospace Workers.

TWA, which has some of the highest labour costs in the US airline industry, has negotiated concessions totalling about $150m a year, but Mr Icahn hopes to raise these savings to about $300m a year by winning further concessions from flight attendants and non-union workers.

Chase in link with Cedel

BY ALEXANDER NICOLL

CHASE MANHATTAN Bank has joined forces with Cedel, the Luxembourg-based Eurobond clearing house, to provide a same-day settlement service for issuing and trading Eurocommercial paper.

Quick settlement has been urgently needed to assist the development of the rapidly growing market in such securities—short-term notes issued by sovereign or corporate borrowers on the Euromarkets in a similar fashion to the vast US commercial paper market.

Euroclear, the rival Eurobond clearer based in Brussels, has also announced plans for same-day settlement of Euro-commercial paper. Like the Chase/Cedel system, which takes effect immediately, it would avoid the costly and risky physical movement of paper. Chase and Cedel allow for same-day physical delivery if it is required.

The essence of the new system is that Chase's London branch has become the London depositary for Cedel, which has some 1,500 investors as clients. Chase acts as issuing and paying agent for the Euro-securities.

Details of sales of paper to Cedel investors are processed and communicated through a direct computer link, enabling borrowers to receive funds on the day of issue

Gotthard Bank Lugano ahead

By John Wicks in Zurich

NET PROFITS of Gotthard Bank, Lugano rose by 17 per cent last year to SFr 34m ($16.4m) following an 8 per cent rise in the balance sheet total to almost SFr 4.5bn.

The Japanese-controlled bank, traditionally the first Swiss bank to announce its annual results, booked a jump in gross earnings for 1985 from SFr 71.3m to SFr 110.5m.

This includes an extraordinary dividend of SFr 40m paid to the Lugano bank by its Bahamas subsidiary Gotthard Bank International,

Further suit in UPI battle

UNITED PRESS INTERNATIONAL said plans for a Mexican publisher and Texan builder to take over the news agency were moving ahead despite a $975m damage suit filed by a rival group of bidders, Reuter reports from Washington.

Financial News Network, a New York communications company, alleged in a suit filed in a district court last week that the winning bidders had conspired with executives at UPI to foil what it claimed was its superior offer.

UPI announced last month that it had accepted the $41m bid of Mr Mario Vazquez Rana, publisher of Mexico's El Sol newspapers, and Mr Joe Russo, a Houston real estate developer. Mr Vazquez Rana has pledged to take the news agency out of bankruptcy code protection and restore it to profitability.

In accepting the Vazquez Rana bid, UPI said the Financial News Network offer, made on behalf of itself and six other investors, had failed to meet a November 12 deadline.

The agency refused comment on the suit beyond saying, "There are many law suits pending between the various parties involved in UPI's acquisition, and it is not surprising to learn there is another one."

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book Runner	Offer yield %
U.S. DOLLARS							
IFC** ‡	50	1996	10	9¼	99⅞	IBJ Int.	9.278
SNCB †‡	50	1991	5	(b)	100	Merrill Lynch	–
SWISS FRANCS							
TNT Ltd. ¶	300 max	1998	–	(4⅞)	(TBD)	Soditic	
RX Capital (c) §	100	2001	–	(5¾)	100	Bqe Gutzwiller, Kurz, B.	
GUILDERS							
Security Pacific (a) †‡	250	1996	10	¼	100	Amro Bank	–
World Bank ‡	500	1993	7	8½	99¼	ABN	8.517
NORWEGIAN KRONER							
City of Oslo	200	1996	7½	10	*	Union Bk of Norway	–
LUXEMBOURG FRANCS							
Swedish Export Cr.** ‡	300	1991	5	9¾	100	BIL	9.750
YEN							
Canadian Pacific ‡	10bn	1996	10	6¾	101	Yamaichi Int. (Eur)	6.610
Ford Motor Credit ‡	20bn	1991	5	6⅜	101½	Nikko Secs. (Europe)	6.488

*Not yet priced. ‡ Final terms. ** Private placement. § Convertible. † Floating rate note. ¶ With equity warrants. ∅ With bond warrants. ‖ Dual currency. (a) ¼ over 6m Libor, minimum coupon 8%. (b) Unlisted; Equal to 3m Libor, additional $25m tap. (c) Collateralised double convertible. Note: Yields are calculated on AIBD basis.

This announcement appears as a matter of record only. DECEMBER 1985

U.S. $100,000,000

Hawley International Finance Limited

Revolving Multicurrency Transferable Advances Facility

Guaranteed by

Hawley Group Limited

Arranged by

Credit Suisse First Boston Limited

Funds provided by

Allied Irish Banks plc — Arab Bank Limited — Banque Française du Commerce Extérieur (London Branch)

Barclays Merchant Bank Limited — Citibank, N.A. — Commonwealth Bank of Australia

Crédit Lyonnais — Credit Suisse — Credit Suisse First Boston Limited

Dresdner Bank Aktiengesellschaft (London Branch) — London Interstate Bank Limited — National Bank of Canada

The Rural and Industries Bank of Western Australia — The Sanwa Bank, Ltd. — S.F.E. Bank Limited

Société Générale (London Branch) — State Bank of New South Wales — Union Bank of Finland Ltd (London Branch)

Facility Agent

Credit Suisse First Boston Limited

This announcement appears as a matter of record only.

BMB

Bahrain Middle East Bank (E.C.)

U.S.$35,000,000

Transferable Revolving Underwriting Facility

for the Issuance of

Short-Term Negotiable Bearer Certificates of Deposit

Arranged by

Merrill Lynch Capital Markets

Lead Managing Underwriter

Burgan Bank S.A.K. - Kuwait

Managing Underwriters

Amagerbanken (Aktieselskab) — Bank of Bahrain and Kuwait B.S.C. — National Bank of Abu Dhabi

Co-Managing Underwriters

Kuwait International Investment Co. s.a.k.

Arab Banking Corporation (ABC) — Alahli Bank of Kuwait K.S.C.

Banco Atlantico S.A. — Banco Saudi Espanol, S.A. ("Saudesbank")

Industrial and Commercial Bank Limited — UBAF Arab American Bank

Frab Bank (Middle East) E.C. — Kuwaiti-French Bank

Principal Placing Agent

Merrill Lynch Capital Markets

December 1985

INTERNATIONAL CAPITAL MARKETS

US MONEY AND CREDIT

Sentiment still bullish despite year-end pressures

US BOND prices moved relatively little during generally lacklustre trading over the two-week holiday period.

The "hangover" holiday trading provided a relatively rare lull in the recent hectic pace of market activity — and an opportunity for investors to reassess positions against the backdrop of generally bullish forecasts from Wall Street's economic gurus.

Perhaps the most significant market feature was how well prices held up in spite of the continued absence of a discount rate cut, a high Federal funds rate and year-end portfolio pressures.

In the Government bond market prices closed slightly lower on the week, but still marginally ahead of pre-Christmas levels.

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	—12-month— High	Low
Fed Funds (weekly average)	9.92	7.88	8.44	9.92	7.10
Three-month Treasury bills	7.07	6.97	7.25	6.75	6.67
Six-month Treasury bills	7.13	7.02	6.94	9.20	9.81
Three-month prime CDs	7.83	7.75	7.71	8.40	7.33
30-day Commercial Paper	7.85	7.85	7.90	9.95	6.95
90-day Commercial Paper	7.70	7.75	7.80	9.20	7.33

US BOND PRICES AND YIELDS (%)

	Last Friday	Change on week	Yield	1 week ago	4 wks ago
Seven-year Treasury	104⅝	−¼	8.93	8.93	9.48
20-year Treasury	110⅞	−⅝	9.52	9.50	10.06
30-year Treasury	105	−⅝	9.28	9.26	9.86
New 10-year "A" Financial	N/A	—	9.80	9.88	10.40
New "AA" Long utility	N/A	−⅝	10.35	10.30	11.00
New "AA" Long industrial	N/A	—	10.15	10.18	10.65

Source: FT estimates and Salomon Bros.

Money Supply: In the week ended December 23 M1 rose by $5.3bn to $627.9bn.

The price declines of ⅛ to ⅜ points were largely explained by concerns about abnormally high funds rates. Seasonal factors pushed the fed funds rate up to an average of almost 13.5 per cent.

"Behind this was the coincidence of traditional year-end window dressing and a scramble for funds at the end of a reserve maintenance period, which resulted in an unusually intense demand for bank reserves," noted Dr Henry Kaufman, Salomon Brothers' chief economist.

These pressures were intensified by a surge in Treasury balances resulting from year-end settlements of state and local government non-markable issues (SLGs) as local governments across the US tried to beat an anticipated change in rules governing advanced refundings of tax-exempt securities.

The unexpectedly large increase in Treasury balances could have further repercussions. In particular Wall Street economists were busy last week downgrading their estimates of both seasonal reserve pressures, which normally appear in the later part of this month, and Treasury debt issuance during the first quarter.

Such revisions could have important consequences for market performance in the intermediate term. But there are a number of more immediate hurdles to get over.

Heading these will be the Treasury auctions of seven- and 20-year securities tomorrow and Wednesday. While some market analysts believe the auctions could spark a long-awaited correction in prices, others remain convincingly bullish.

Underpinning the still general positive sentiment of the market are the latest economic figures which continue to paint a mixed picture biased towards sluggishness.

Last week's statistics showed that, while a 1 per cent gain in November factory orders appeared strong, a 0.3 per cent decline in durable goods orders would have been disastrous had it not been for defence orders.

Meanwhile the November leading economic indicators showed a smaller than expected gain. First indications are that Christmas retail sales lacked sparkle and the latest large trade deficits indicate that the positive impact on domestic manufacturing of the weaker dollar will indeed take time to feed through.

This week's economic offerings include the current unemployment rate, due out on Wednesday.

The bond market's other weathered eye will be on the money markets. The lack of a Fed discount rate cut is a disappointment—such a move has now been actively expected for over four weeks.

But once again the market has shown resilience. Treasury bill rates were marginally firmer last week—by between seven and 13 basis points—but private rates were unchanged to 15 basis points lower. Meanwhile the Treasury yield curve has continued to flatten.

Underpinning current market confidence is the belief that, despite the lack of a discount rate cut, the Fed has eased — probably to a 7.75 per cent funds rate.

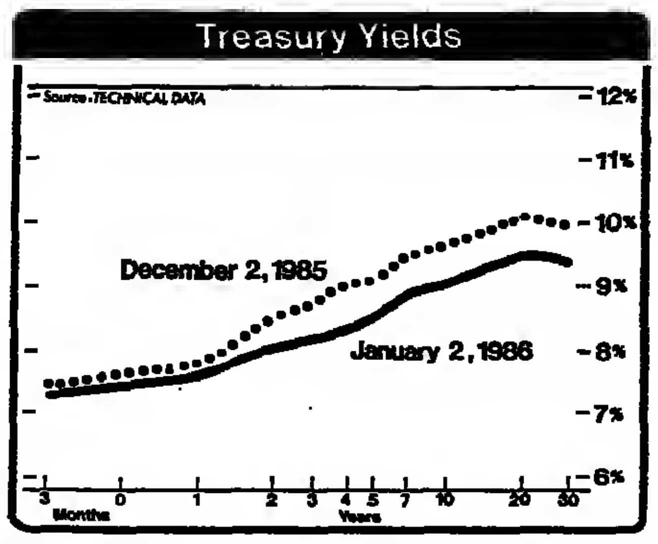
Accordingly market bulls like Phillip Braverman of Briggs Schaedle argue that, despite widespread dealer, speculator and chartist pessimism, any market retreat would present an investor buying opportunity.

The latest, holiday delayed, increase in M1 had virtually no impact on the market which has already turned its monetary target sights towards Fed chairman, Paul Volcker's February Congressional testimony and the prospect that the US monetary authorities are likely to further de-emphasise M1 and perhaps place greater weight on the better-behaved M2.

In the US corporate bond markets a bumper year went out with a bit of a whimper in very quiet trading.

Despite the inevitable lull in new issue volume the December total hit an unprecedented $15.8bn, according to Salomon Brothers figures.

Paul Taylor



UK GILTS

Under an oil price shadow

The gilt-edged market enters 1986 obsessed by a single concern: the future of oil prices. Last week analysts and traders were still attempting to assess the implications of Opec's pre-Christmas pronouncements and were anxiously awaiting the resumption of normal trading in bond, currency and commodity markets today.

According to some analysts, fears of an early downward break in oil prices have intensified over the holiday break. Some who previously thought the oil price would hold steady at around current levels until late February or March are bringing forward their forecasts of a break towards $20 a barrel.

The pessimists include economists such as Ian Harwood at Rowe & Pitman and Stephen Lewis at Phillips & Drew. Lewis maintains there is a feeling in the market that "oil prices could go at almost any time." Harwood thinks the oil price "will crack very shortly down to about $20."

The market's nervousness about oil was hardly soothed on Friday when the Treasury announced the largest monthly decline in foreign currency reserves for three years. It now appears the authorities were intervening more heavily than previously suspected to defend the pound during December's oil price scare.

Even if oil prices do hold steady for longer than some suspect, the general air of uncertainty makes it inevitable that gilt yields will need to incorporate a substantial risk premium for the foreseeable future. In such circumstances, the abnormal yield gap between gilts and US bonds is little comfort for UK investors.

A big worry at present is that foreigners could lose confidence in gilts. As Ian Harwood argues, there is a real risk that they could soon become net sellers. If the cry went up that overseas money was being pulled out, the effect on confidence might not be pleasant.

The gilt bears have some plausible arguments but there are also some bulls breaking cover. Mike Higgins of W. Greenwell says the outlook for gilts during the early part of the year could be "very bullish indeed."

He thinks that worries about oil are overdone. "Even if the price of oil falls further, the market should balance the benefit to worldwide inflation and interest rates against the loss of oil revenues and the fall in the pound."

If the market could shrug off oil worries, more attention might focus on the surprisingly favourable funding outlook. In recent months City forecasts of the PSBR have proved hopelessly inaccurate. Many now accept that the Chancellor will hold public borrowing below £8bn in the current fiscal year. If he does so and sticks to the new Mansion House rules—in other words resists the temptation to over-fund—the Government Broker's gilt sales will be low relative to institutional cash flow.

Malcolm Roberts, the chief economist at Laing and Cruickshank, is another analyst sensitive to the bullish undertone of the market. His central forecast is for another "dull and unexciting year" with yields sticking to the 10 to 11 per cent band.

But he points to the possibility that weak oil and commodity prices coupled with the continuing problems of debtor countries could lead to a burst of monetary accommodation in the US accompanied by multilateral interest rate reductions around the world.

It is more than possible, however, that the UK could fail to benefit much from multilateral interest rate cuts. The short-term outlook for prices may be favourable but many analysts remain far from convinced that Britain's inflationary psychology has been broken. The gilts market will focus more closely on pay settlements than the RPI in coming months. With continuing turbulence in oil markets, the watchword is likely to be caution.

Michael Prowse

FT/AIBD INTERNATIONAL BOND SERVICE

US DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
AHFC 0/S Fin 11¼ 94	100	108⅝	−2½	10.06
AIGC 11 89	75	106⅞	+0¼	8.72
AIGC 11¼ 90	100	101⅞	0	11.41
Amar Savings 12 89	125	106⅝	−0⅛	10.22
Amer Savings 12¼ 89	100	105⅞	0	10.32
Asian Dev Bk 11¼ 95	100	108⅝	+1⅞	10.06
[illegible]				
Philips Petrol 14 88	200	103⅞	0	9.93
Postipankki 11½ 90	75	106⅝	−0⅛	8.81
Post-Och Kmd 13½ 87	50	96	0	12.93
Privatbanken 12⅝ 95	100	107⅞	0	9.19
Prudential Ins 12⅝ 87	150	29⅞	+0⅛	9.85
Pru Rlty Secs 0 98	365	107⅞	−0⅛	8.62
Pru Rlty Secs 11⅞ 92	398	111⅞	−0⅛	10.01
Pru Rlty Secs 12⅝ 95	546	111	+1⅞	10.03
Quebec Prov 12⅝ 94	150	107⅞	0	9.00
Queensland Gvt 11⅞ 89	100	102	0	
RBC 12⅝ 86	100	106⅞	0	10.57
Rural Bk Aust 12 91	80	109⅞	+0⅛	9.42
Sanwa Bank 11⅞ 92	150	108⅝	+0⅛	9.28
Saskatchewan 10⅝ 92	100	106⅞	+0⅛	8.74
Saskatchewan 10⅝ 90	125			

US DOLLAR STRAIGHTS (cont.)	Issued	Price	Chg. on week	Yield
Saskatchewan 11⅞ 89	100	109⅝	+0⅛	9.93
Saskatchewan 19 92	150	124⅝	+0⅛	8.84
Saskatchewan 16 89	125	118⅝	+0⅛	8.97
Scot Intl Fin 14⅞ 98	80	113⅞	0	11.89
Seam 0/S Fin 0 98	500	30⅞	+0⅛	10.05
Sears Roebuck 10⅞ 91	150	104⅞	−0⅛	8.49
Sears Roebuck 11⅞ 91	150	108⅞	+0⅛	9.40
Sec Pacific 12 92	100	108⅞	−0⅛	9.78
[illegible]				

YEN STRAIGHTS / other	Issued	Price	Chg. on week	Yield
Murata Mfg 3½ 00	100	128	+1	−2.34
Nippon Oil 3⅞ 98	50	95	0	−0.46
Ono Pharm 3¼ 88	60	95	0	−9.33
Soc Gen Surv 4½ 94	51	144⅞	0	105.58
Sumitomo Corp 2⅞ 99	70	142	+2½	−1.19
Texaco Capital 11⅞ 94	1bn	89⅞	+1⅞	85.77
Texaco Capital 11¼ 94	300	89⅞	0	
Tsugami Corp 3⅞ 00	30	84	0	−2.88
[illegible]				

CONVERTIBLE BONDS	Issued	Price	Chg. on week	Prem.
[illegible]				
Ajinomoto 3 89	120	140	−0⅛	
Best Denki 5⅞ 97	15	180	0	−2.35
Canon 7 97	90	228½	0	−3.41
Daiwa Secs 5½ 96	80	251	0	16.37
Dev Bank Sing 5½ 96	70	74	0	29.77
Eidara 11⅞ 94	180	107⅞	0	15.19
Elektrowatt 5 88	82	123⅞	0	−6.88
Fujitsu 3 98	180	109	+2½	9.78
Intec Inc 8 89	50	109	0	−0.24
Kumagai Gumi 3½ 00	90	168	0	1.38
LASMO 8⅞ 98	44	96½	0	24.73
Moet-Hennessy 7 98	50	147	−3	−2.87

BOND WARRANTS	Expiry date	Price	Chg. on week	Ex. yield
Aegon Ins 11⅞ 91	14/2/88	12⅞	+1⅛	11.03
Coca Cola 11⅞ 91	28/11/88	50	+0⅛	11.08
Commerzbk 13⅞ 91	17/7/88	130	0	10.38
Du Pont 13⅞ 88	25/8/88	93	−0⅛	19.03
Eksportfinans 13⅞ 88	15/3/87	106	−1⅛	9.67
Gen Elec 12⅞ 91	7/8/87	91	+0⅛	19.71
Ind Bk Jpn 12⅞ 91	5/10/88	113	−1⅞	10.16
Inv In Ind 10½ 91	1/12/88	89	0	10.08
McDnlds F 11⅞ 94	5/1/88	84	+0⅛	9.93
Oester Lnbk 12½ 89	9/9/87	96	+2⅛	10.14
Texaco Cao 12⅞ 92	1/9/87	90	−1⅞	11.72
Trnto Dom 12⅞ 91	5/4/88	87	+1⅞	10.20

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for yen bonds, where it is in billions.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=current coupon.
CONVERTIBLE BONDS: US dollars unless indicated. Prem=percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem=exercise premium over current share price. Bond warrant ex yld=exercise yield at current warrant price.
† Perpetual.

Closing prices on December 31

© The Financial Times Ltd., 1986. Reproduction in whole or in part in any form not permitted without written consent. Data supplied by Association of International Bond Dealers.

This announcement appears as a matter of record only.

Ashton Mining Limited

Ashton Mining Limited

U.S.$ 50,000,000

Revolving Underwriting Facility

For the issuance of U.S. dollar Euronotes guaranteed by

DG BANK Deutsche Genossenschaftsbank

Arranged by

S.G. Warburg & Co. Ltd. — Potter Partners

Managed by

Algemene Bank Nederland N.V. London Office
BankAmerica Capital Markets Group
Banque Paribas
Chase Investment Bank
Credit Suisse
Italian International Bank Plc (Monte dei Paschi di Siena Banking Group)
Kansallis Banking Group
Mitsubishi Finance International Limited
Standard Chartered Bank
Westdeutsche Landesbank Girozentrale
Westpac Banking Corporation

Tender Panel

Algemene Bank Nederland N.V. London Office — Australia and New Zealand Banking Group Limited
BankAmerica Capital Markets Group — Banque Bruxelles Lambert S.A. — Banque Indosuez
Banque Paribas Capital Markets — Barclays Bank PLC — BT Asia Limited
Chase Manhattan Limited — Chemical Bank International Limited — CIBC Limited
Citicorp Investment Bank Limited — Commonwealth Bank of Australia — County Bank Limited
Credit Suisse — Dai-Ichi Kangyo International Limited — DG BANK Deutsche Genossenschaftsbank Singapore Branch
Elders Pacific Ltd. — First Interstate Capital Markets Limited — HongkongBank Limited
Italian International Bank Plc (Monte dei Paschi di Siena Banking Group) — Kansallis Banking Group — Kredietbank International Group
Lloyds Merchant Bank Limited — Manufacturers Hanover Limited — Merrill Lynch Capital Markets
Mitsubishi Finance International Limited — Morgan Grenfell & Co. Limited — Morgan Guaranty Ltd
Saudi International Bank AL-BANK AL-SAUDI AL-ALAMI LIMITED — Standard Chartered Merchant Bank
Swiss Bank Corporation International Limited — S.G. Warburg & Co. Ltd.
Westdeutsche Landesbank Girozentrale — Westpac Banking Corporation

Tender and Facility Agent

S.G. Warburg & Co. Ltd.

Issuing and Paying Agent

The Chase Manhattan Bank, N.A.

UK COMPANY NEWS

FNFC rises 25% and returns to dividend list

First National Finance Corporation, the consumer credit lending and property concern, saw profits increase by 25 per cent to a record £22.07m in the 1984/85 year, and is to pay the first dividend since its rescue in the wake of the 1974 secondary banking crisis.

A final dividend of 2.8p will be paid from basic earnings per share of 16.5p, a rise of 2.3p over last year. Fully diluted, the earnings figure comes to 15.5p (13.4p) for the year ended October 31. Shareholders also have the prospect of an interim dividend for the current half.

Mr Richard Langdon, the chairman, says that the group has surmounted the many obstacles resulting from the problems of 1973-75, and is in a position to take advantage of trading opportunities. "The outlook for the group is excellent," he adds.

Based on the first two months of the current year, profits continue to show improvement, and 1985-86 should show a further increase in profitability, "given relative stability in trading conditions."

Earning assets stand at over £470m compared with £328m last year, and net current assets have more than doubled to £357m, reflecting the increase in the longer term funding. Shareholders' funds, after allowing for the proposed dividend, are at £52m (£34m).

Nearly all of the profit increase came from the consumer credit subsidiary First National Securities, which rose from £13.18m to £18.39m. There was also a charge against this division of £4.68m (£3.82m), mainly representing interest on borrowings. The lending and property division was relatively static at £8.37m (£8.26m).

Group turnover, excluding banking business, came to £29.32m (£30.07m). There is a tax charge of £1.5m as advance corporation tax written off (nil), and after the £3.51m dividend payout, the group retains £17.06m (£17.6m).

● comment

With the remaining £32m lent by the Bank of England support group now repaid, First National Finance Corporation is unfettered by constraints on the size and nature of its borrowings. It has not been slow to exploit the opportunities presented, borrowing at interest rates and terms of maturity better suited to its loan book and achieving a 35 per cent increase in the volume of new business. The result has been a rise of 40 per cent in profits from its consumer credit operations, firmly establishing the division as its major generator of income. The lending and property division, however, has not been stagnant: profits may be largely unchanged but their composition has altered, with an increase in arm's length lending to property developers replacing windfall profits from the sale of blocks of flats left over from its once substantial property portfolio. For the current year the group is broadening its scope with ventures into mortgage management, for which it sees big potential, and life assurance. A dip in interest rates would be a boon to the banking operations, but even without it profits of £25m would seem to be within easy reach, putting the shares on an undemanding prospective p/e ratio of 9 on a nil tax charge.

Beazer set to raise French Kier offer

C. H. Beazer, the fast-growing housebuilding group, is expected this week to unveil an improved and final offer for French Kier, the construction company, to value the group at about £130m. The revised offer is likely to be worth 270p in cash and shares, 5p above Friday's closing price, and 43p higher than the current offer worth 227p a share.

By the end of last week, Beazer had received acceptances from owners of only 0.6 per cent of French Kier's equity. It already owns a 28.6 per cent stake in French Kier, bought last year from Trafalgar House.

Last Friday, French Kier published its defence document, which estimated that 1985 profits rose by 25 per cent to £20.5m, forecast a 40 per cent increase in the dividend to 6.8p per share, and revealed a net assets figure of 246p per share.

Under Takeover Code rules, Beazer has until January 11 to make its final offer.

Refuge Group has successful year

A SUCCESSFUL year for new life and pensions business is reported by the Refuge Group in 1985.

In the Ordinary branch, new annual premiums rose marginally from £3.91m to £4m in the year when this sector of the life market was dull. Single premiums showed a dramatic increase from £119,000 to £720,000.

Pensions business in the ordinary branch, mainly self-employed business, participated in the general boom in that market last year, with new annual premiums up by half from £798,000 to £1.24m and single premiums almost doubling from £60,000 to £110,000. General annuity business was dull, with single premiums down from £61,000 to £50,000.

Business in the group's Industrial branch showed a strong advance with annual premiums up by 15 per cent from £12.4m to £13.9m.

The group continued to expand its unit-linked operations in 1985. On assurances, its new annual premiums nearly tripled from £351,000 to £980,000, while its single-premium business rose by a third from £13.3m to £17.6m. Linked pensions business amounted to £15,000 of annual premiums and £88,000 of single premiums.

The linked figures were boosted by the inclusion of the business of Canterbury Life, acquired in April of last year.

Ensign Trust purchase

Ensign Trust, formerly Murray Growth, which is controlled by Merchant Navy Officers Pension Investments, is paying $500,000 (£350,000) for a further 52,000 shares in First Colonial Bankshares Corporation of Chicago.

The move holds Ensign's stake in First Colonial at 17½ per cent and increases its investment in the US bank to $8m.

Ensign has bought the shares at $15.75 each compared with a closing price on NASDAQ last Thursday of $19.

The trust has also been granted an option to keep its stake at 17½ per cent in any future stock issues.

Mr Philip Henderson, Ensign's investment manager, said that First Colonial's management was exceptional in a small bank and extra funds would enable it to "progress even more rapidly by redressing the equity/assets ratio to above average levels."

H. J. Baldwin ahead at six months

Taxable profits at H. J. Baldwin, clay and concrete manufacturer, increased from £45,755 to £55,130 in the six months to October 31 1985 on turnover up from £1.26m to £1.43m.

After tax down from £20,600 to £16,539, profit available to ordinary shareholders was £33,961 against £20,256. Stated earnings per 10p share were 0.96p (0.58p).

The directors say that orders for goods manufactured by the company showed a significant improvement.

LEISURE INVESTMENTS' rights has been subscribed as to 6.1m shares (91.94 per cent), and the balance has been sold in the market at 30½p each.

Offer for Sangers Photo lapses

Mr Jeremy Peace's formal offer for Sangers Photographics, the USM-quoted group, received no acceptances and has been allowed to lapse.

Mr Peace bought a 76 per cent stake in Sangers in November, but placed some of the shares to reduce his holding to 50.11 per cent. Under the City Takeover Code he was obliged to make an offer to other shareholders, though it was not his aim to acquire more shares.

Brent Chemicals

Brent Chemicals International is paying up to £176,200 for Chemlec, a company manufacturing chemical products for the printed circuit board industry.

In the year ended March 31, Chemlec's sales amounted to £419,000 and profits were £20,000 before tax.

Brent will pay approximately £90,000 on completion, with the balance due after one year if Chemlec's sales exceed £660,000.

F.T. Share Information

The following securities have been added to the Share Information Service: Cheshire Wholefoods (Section: Food, Groceries); Chuangs (Electricals); Derwent Valley (Property); Kakuzi (Trusts, Finance Land); Shandwick (Paper, Printing, Advertising); Tozer Kemsley and Millbourn 8½pc Cnv Cum Prf (Overseas Traders); World of Leather (Drapery and Stores).

SHARE STAKES

Changes in company share stakes announced over the past week include:

Cambium Venture Capital — H. J. Horswell, director, has disposed of his holding of 229,477 ordinary shares.

Microvitec — Dr A. Martinez, chairman, has completed the purchase of 100,000 ordinary shares between 19 and 30 December bringing the total number of shares purchased by the chairman and other directors to 311,500 during December 1985.

Highgate & Job — Parsons & Co. has purchased a further shares making a total of 230,000 (23.72%), on behalf of Seriele Investments.

Chamberlin and Hill—J. K. Bather, director, has sold 5,700 ordinary shares at 89p and now holds 384,009 shares (10.843 per cent).

Cluff Oil Holdings—J. G. Cluff, director, has purchased 10,000 ordinary shares.

Alfred Preedy and Sons—S. M. Larrnder, director, purchased 5,000 shares at 108p on December 24 and 5,000 at 110p on December 27.

J. Sainsbury—In the share stakes column on December 30 it was incorrectly stated that Sir John Sainsbury, a director of J. Sainsbury, had reduced his holding in the company by 271,430 shares. In fact, this reduction was in a non-beneficial holding, following his retirement as a trustee of a charitable trust.

BOARD MEETINGS

TODAY

Interims:—Anglo Nordic, Carclo Engineering, Ellis and Everard, Prisec Marlens, F. H. Tomkins.

FUTURE DATES

Interims:—

Davy Corporation	Jan 16
Mukicone Electronics	Jan 15
Pepe	Jan 7
Steed and Simpson	Jan 14
Unitech	Feb 4

Finals:—

Corby Trust	Jan 23
Electronic Machine	Jan 15
Jersey Electricity	Jan 13
Lincroft Kilgour	Jan 13
Oakwood	Jan 14
Trilion	Jan 14
Trusthouse Forte	Jan 15

Application has been made to the Council of The Stock Exchange for up to 363,056 new free A-shares of FIM 20 each in Amer Group Limited to be admitted to the Official List.

AMER GROUP LTD

SHARE ISSUE

6th JANUARY to 28th FEBRUARY 1986

NOTICE TO HOLDERS OF FREE A-SHARES

Annual General Meeting
At the Annual General Meeting of the Company held on 20th December 1985 the shareholders agreed to increase the share capital of the Company from FIM 144,957,560 and to authorise the Directors to issue new shares, each with a nominal value of FIM 20, by means of:-

(i) a capitalisation issue on a one for five basis increasing the share capital by FIM 28,991,520 to FIM 173,949,080 by the issue at par of 1,449,576 new shares consisting of 276,480 new K shares, 1,041,568 new restricted A-shares and 131,528 new free A-shares;

(ii) a rights issue on a one for five basis increasing the share capital by up to FIM 28,991,520 to FIM 202,940,600 by the issue of up to 1,449,576 new A-shares at FIM 50 per share. However if less than 1,202,546 new A-shares are subscribed the rights issue shall lapse; and

(iii) an issue to employees increasing the share capital by up to FIM 2,000,000.

Fractions of New Shares
Entitlements to fractions of new shares should either be sold or completed by the purchase of additional entitlements during the subscription period otherwise they will be disregarded by the Company and entitlements to new shares shall be rounded down to the nearest new share.

Capitalisation Issue
The entitlement to participate in the capitalisation issue is evidenced by Coupon No. 6 affixed to each free A-share certificate. Each shareholder should arrange for Coupon No. 6 to be presented at (i) any branch of Kansallis-Osake-Pankki (other than the New York branch) between 6th January and 28th February 1986 or thereafter at (ii) the registered office of the Company. Upon presentation Coupon No. 6 will be surrendered in return for the issue of a capitalisation issue interim certificate credited fully paid. Dealings in Coupon No. 6 or the interim certificates shall commence on the Helsinki Stock Exchange on 6th January 1986. Dealings shall close on 21st February 1986. In respect of Coupon No. 6, and shall close immediately prior to the next Annual General Meeting of the Company which is expected to take place in December 1986, in respect of the interim certificate.

Rights Issue
(a) Subscription
The entitlement to participate in the rights issue is evidenced by Coupon No. 7 affixed to each free A-share certificate. Each shareholder should arrange for Coupon No. 7 to be presented at any branch of Kansallis-Osake-Pankki (other than the New York branch) between 6th January and 28th February 1986. Upon presentation Coupon No. 7 will be surrendered in return for the issue of a rights issue interim certificate. Dealings in Coupon No. 7 nil paid shall commence on the Helsinki Stock Exchange on 6th January 1986 and shall close on 21st February 1986. Dealings in the rights issue interim certificate fully paid shall commence on the Helsinki Stock Exchange on 2nd May 1986 and shall close immediately prior to the next Annual General Meeting of the Company which is expected to take place in December 1986. No dealings in the rights issue interim certificate shall take place nil paid.

(b) Payment
Payment should be made in FIM by one instalment not later than 30th April 1986 at any branch of Kansallis-Osake-Pankki (except the New York branch). Interest will be paid at a rate of 12% per annum on payments received on or before 15th April 1986 for the period from payment to 30th April 1986. If payment is not made by 30th April 1986 the Directors will have recourse to certain remedies including charging interest at the rate of 15% per annum for the period from 1st May 1986 to date on which payment is received by the Company.

(c) Documents
Upon payment interim certificates will be receipted by Kansallis-Osake-Pankki and returned to the holder.

Issue to Employees
Simultaneously with the capitalisation issue and the rights issue the Company is offering up to 100,000 new A-shares to its employees and pensioners (not resident in the United States of America or the Dominion of Canada).

Notice to US Shareholders
The Company's Free "A" shares have not been and will not be registered under the United States Securities Act of 1933. Accordingly, new free "A" shares may not be offered or sold, directly or indirectly in the United States of America, its territories and possessions ("the United States") or to any national or resident thereof, or to any corporation, partnership or other entity organised in or under the laws of the United States or any political sub-division thereof, or to any estate, or trust, which is subject to United States federal income taxation regardless of the source of its income. However, arrangements have been made to make a private placement of new free "A" shares with certain United States institutional investors who are existing shareholders of the company.

Definitive Documents of Title
In connection with this Share Issue all old share certificates issued between 1974 and 1985 will be exchanged for interim share certificates. The exchange begins on 6th January 1986. Holders of free A-shares are invited to leave their share certificates, together with the dividend coupons for 1986–1994 and share issue Coupons Nos. 8 to 10 at any branch of Kansallis-Osake-Pankki (other than the New York branch) not later than 28th February 1986. The interim share certificates will be registered in the name of their owners. In respect of existing free A-shares not registered, the shareholders must produce evidence of their entitlement. The new definitive share certificates will be issued at the end of June 1986 at the same branch of Kansallis-Osake-Pankki where the exchange was executed.

Extel Card
Particulars relating to the Company are available in the Extel statistical services. A copy of the Extel Card, which comprises listing particulars in accordance with The Stock Exchange (Listing) Regulations 1984 has been delivered for registration to the Registrar of Companies, and the brochure "Share Issue 6th January to 28th February 1986" prepared by the Company are both available to free A-shareholders from Coopers & Lybrand, Plumtree Court, London EC4A 4HT.

Any shareholder who is in doubt as to the action to be taken should contact his professional adviser or the Company at Hyrylä Tuusula, P.O. Box 12, SF-04301, Finland for the attention of Jouko Rauman, Vice-President Group Finance. Telephone: 010-3580-255-311.

FINANCIAL TIMES STOCK INDICES

	Jan. 3	Jan. 2	Dec. 31	Dec. 30	Dec. 27	Dec. 24	1985/6 High	1985/6 Low	Since Compilation High	Since Compilation Low
Government Secs.	80.51	82.79	82.61	82.93	83.00	82.93	84.97	78.08	127.4	49.18
Fixed Interest	88.75	88.68	88.75	88.76	88.77	88.61	90.38	82.17	150.4	50.53
Ordinary	1149.6	1136.8	1131.4	1133.0	1128.8	1116.2	1146.9	911.0	1149.2	49.4
Gold Mines	287.6	267.5	249.8	246.0	239.8	245.0	535.9	237.8	734.7	43.5
FT-Act All-Share	690.80	686.58	682.94	681.66	676.10	675.30	702.06	581.88	702.06	61.92
FT-SE100	1429.8	1420.6	1412.6	1415.8	1413.6	1396.8	1461.8	1206.1	1455.5	986.9

COMPANY NEWS IN BRIEF

WYNDHAM GROUP, the engineering and property company, has increased pre-tax profits by nearly 40 per cent in the six months to the end of September 1985, on turnover up from £647,000 to £798,000. The result, at £44,000 against £33,000, takes the directors confident for the full year outcome, and also allows the payment of an interim dividend of 0.5p per share next April. Earnings per share came out at 2.1p (2.25p) on increased capital. The directors also report that rental income is now in excess of £200,000 per year, and should rise.

CPS COMPUTER GROUP has sold Lamex Computing Services and Lamex Commercial Computing to 3X Systems for a consideration which is said to be less than 12 per cent of the net assets of CPS, which is quoted on the USM, as at the end of September 1984. Mr I. Lapple, managing director of the Lamex subsidiaries, will be joining 3X, which will trade as Lamex Software, and in which he is taking a 51 per cent holding, as managing director. CPS bought the Lamex companies in October last year for £150,000 cash and the issue of 50,000 20p shares.

WEEKS PETROLEUM has sold its interest in exploration permit for petroleum NT/P2, offshore Australia, to Peko Oil and Kimberley Oil and Gas NL.

C. E. HEATH has completed the divestment of its Lloyds underwriting agency, C. E. Heath and Co (Underwriting) by way of a management buyout. The managing and members underwriting agency activities formerly carried out in Lloyds on behalf of the C. E. Heath Group are now being conducted independently by Cuthbert Heath Underwriting.

PALMERSTON INVESTMENT TRUST has exchanged contracts to acquire a freehold property at Leyland, Lancs, for £720,000 and financed by bank borrowings. The property comprises office accommodation let on a 20-year term from 1984. Current rental is £104,000 per annum with upward only rent reviews every five years.

COMMODITIES RESEARCH Unit (Holdings), a business consultant to the international metals and minerals industry, has acquired a 60 per cent stake in the British Sulphur Corporation, a consultant to the international fertiliser and allied chemical industry. Mr John Lancaster remains chairman of British Sulphur and will join the board of CRU. The new managing director of British Sulphur is Mr John Segal. Mr Robert Parlman, chairman of CRU, and Mr John Horam, managing director, have joined the board of British Sulphur.

JOHNSON & HIGGINS has declared a 5.01 per cent stake in Willis Faber. J. & H says that it has no intention in the foreseeable future of significantly increasing this.

LOW AND BONAR'S recommended improved offer document is expected to be posted to Cole Group shareholders on Monday. It will remain open for acceptance until 3 pm on January 20, or such later date as Low and Bonar may decide. By 3 pm on January 2, the third closing date of the original offer, acceptances had been received in respect of 16,287 Cole ordinary (approximately 0.5 per cent). At October 31, the date when the offer was announced, Low and Bonar held 813,000 Cole ordinary (approximately 25 per cent).

QUEENS MOAT HOUSES' recommended offer for Dean Park Hotels has been accepted in respect of 5.59m shares (50.32 per cent) and is now unconditional in all respects. It will remain open for acceptance until further notice, while the cash alternative remains open until 3 pm on January 7.

HARTWELLS GROUP'S rights received acceptances for 8.15m shares (about 70 per cent). The balance was sold in the market at 68½p.

PRITCHARD SERVICES GROUP disposed of its French and Belgian subsidiaries and a loss-making catering subsidiary in Australia. These disposals form part of the group's strategy to concentrate its activities

Phillips & Drew (Trading) Ltd

Phillips & Drew are pleased to announce that they are now able to offer a market making service through their International Dealer operation:

Please see page 3 of today's Financial Times for details

Phillips & Drew (Trading) Ltd is a wholly owned subsidiary of Phillips & Drew

CENTRAL BANK OF NIGERIA FLOATING RATE NOTES DUE 1986/90 TO BE ISSUED IN RESPECT OF OUTSTANDING TRADE DEBT

In accordance with the Terms and Conditions of the Notes, notice is hereby given that in respect of the Interest Period from January 6, 1986 to April 7, 1986, the Rate of Interest has been determined at 9% per annum.

London, January 6, 1986
THE CHASE MANHATTAN BANK N.A.
FISCAL AGENT

LADBROKE INDEX
1,155-1,159 (+13)
Based on FT Index
Tel: 01-427 4411

Granville & Co. Limited

Member of The National Association of Security Dealers and Investment Managers

8 Lovat Lane London EC3R 8BP   Telephone 01-621 1212

Over-the-Counter Market

Capitalisatn. £000's	Company	Price	Change on week	Gross div. (p)	Yield %	P/E Actual	P/E Fully taxed
4,006	Ass. Brit. Ind. Ord	118	—	7.3	6.2	7.2	8.7
—	Ass. Brit. Ind. CULS	121xd	—	10.0	8.3	—	—
4,342	Airsprung Group	75xd	+8	3.4	8.8	12.5	16.3
950	Armitage and Rhodes	38	−1	4.3	11.3	4.7	8.7
53,634	Barden Hill	167	—	4.0	2.4	21.1	22.0
3,080	Bray Technologies	58	+1	3.6	7.0	8.6	7.8
478	CCL Ordinary	136	—	12.0	8.6	3.4	3.2
1,213	CCL 11pc Conv. Pref.	97xd	—	15.7	16.2	—	—
8,959	Carborundum Ord.	116	—	4.8	4.2	8.7	6.0
637	Carborundum 7.5pc Pf.	91xd	—	10.7	11.6	—	—
4,383	Deborah Services	56	−1	7.0	12.8	6.5	7.7
3,034	Frederick Parker	21	—	—	—	—	—
1,421	George Blair	77	+3	—	—	3.1	5.7
2,518	Ind. Precision Castings	62	+4	3.0	4.8	18.4	13.7
14,021	Isis Group	178xd	+1	18.0	8.5	13.5	20.2
8,041	Jackson Group	118	+2	8.8	4.7	7.5	7.8
40,629	James Burrough	293	+1	15.0	8.1	9.2	8.2
3,293	James Burrough 9pc Pf.	95	—	12.8	13.6	—	—
7,607	John Howard and Co.	73	—	8.0	8.9	8.7	8.0
3,240	Linguaphone Ord.	180s	—	—	—	8.5	6.8
—	Linguaphone 10.5pc Pf.	90s	—	15.0	16.7	—	—
20,247	Minihouse Holding NV	705	+130	5.9	1.0	30.5	29.3
724	Robert Jenkins	71	+1	—	—	6.2	20.3
1,200	Scruttons "A"	30	—	—	—	—	7.7
1,635	Torday and Carlisle	67	—	5.0	7.5	3.4	6.1
1,473	Trevian Holdings	325xd	—	4.3	1.3	16.5	16.2
6,594	Unilock Holdings	42	+1	2.1	5.0	11.4	11.2
16,921	Walter Alexander	132	+2	6.6	5.5	7.5	9.1
4,666	W. S. Yeates	200	—	17.4	6.7	5.7	9.6

s=Suspended.

RECENT ISSUES

EQUITIES

Issue price p	Amount paid up	Latest Renunc. date	1985/6 High	1985/6 Low	Stock	Closing price p	+or–	Net div.	Times covered	Gross yield	Price/Earnings ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Abbott Mead Vickers	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Ashley Laura 5p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Cable & Wireless 50p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Chancery Securities	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Chart. Foulks Lynch	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Chetwynd Streets 5p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Cranswick Mill 10p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Crests 5p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Dialene	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Garman Sec. 5p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Granyte Surface 10p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Hampden Home 5p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	JJ Pathology 10p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Jacques Vert 10p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Lexicon Inc. $0.01	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Marwale Mort 5p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Millward Brown	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Monks & Crane 10p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Norank Systems 5p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	SAC Intnl. 10p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	SPP 10p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Sigmex Intl.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Snowdon & Bridge	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Sterling Publishing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	TMD Advertising 5p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Tech. Compt. 10p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	WWorks Ind. Hse. 5p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

For Barham Group see Paper, Printing

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1985/6 High	1985/6 Low	Stock	Closing price £	+or–
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Allied Lon. Props. 10% 1st Mort. Deb. 2025	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Brit. Assets 6% Uns. Ln. 1995	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Bunzl 7% Cnv. Uns. Ln. 1995-97	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	East Anglian Water 11¼% Red. Deb.	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Essex Water 11.5% Red. Deb.	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Do. 11.5% Red. Deb.	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Exts. & Agency 11% 1st Mort. Db.	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11¾% Intl. Inv. Tst. Jersey Units	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9½% Nationwide Bldg. Soc. 11½% 15-12-86	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Rosehaugh Greycoat 11% 1st Mt. Db.	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7% T. Finance 11¾% Gtd. Deb.	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Whitbread Inv. 7%-12% Step. Int. Db. '16	[illegible]	[illegible]

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renunc. date	1985/6 High	1985/6 Low	Stock	Closing price p	+or–
[illegible]	Nil	[illegible]	[illegible]	[illegible]	ANZ $A1	[illegible]	[illegible]
[illegible]	Nil	[illegible]	[illegible]	[illegible]	Barham Group 5p	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Beatwood 10p	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Bodycote Intl.	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Goal Petroleum 5p	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Hartwells	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Ind. Scot. Energy £1	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Leisure Inv.	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Lovell (Y.J.)	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Mountleigh	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Regalian Props.	[illegible]	[illegible]
165	Nil	—	7pm	5pm	Smith Bros.	6pm	

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. g Assumed dividend and yield. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1986. I Indicated dividends: cover relates to previous dividend; p/e ratio based on latest annual earnings. u Forecast otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ‖‖ Allotment price. ‡‡ Dealt in under Rule 535 (3). ♥ Dealt in under Rule 535 (4) (a). † Units comprising five ordinary and one warrant. * Units comprising 12 preference shares and one warrant.

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus*) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

	Date	Announcement last year
*Associated Newspapers	Jan 6	Final 9.5
Berisford (S. and W.)	Jan 17	Final 7.0
Deejan	Jan 29	Interim 5.0
*Davy Cpn	Jan 16	Interim 1.1
*Dixons	Jan 16	Interim 1.92
*Dowty	Jan 16	Interim 2.2
*Electronic Rentals	Jan 9	Interim 1.867
*First National Finance	Jan 23	Final due
Fitch Lovell	Jan 24	Interim 3.0
Gestetner	Jan 16	Final 1.171
Gold Flds SA	Feb 5	Interim 40c
Guinness (A.)	Jan 15	Final 4.62
Guinness Peat	Jan 9	Final 0.8
Lonrho	Jan 31	Final 5.5
*Mogns1 and Southerns	Jan 16	Interim 2.0
Marcantile House	Jan 22	Interim 4.0
*Racal Electronics	Jan 28	Interim 0.7665
Rank Organisation	Jan 29	Final 7.2
*Ratners	Jan 13	Interim 0.67
Steed and Simpson	Jan 11	Interim 2.0
*Thorn EMI	Jan 19	Interim 5.0
*Trusthouse Forte	Jan 16	Final 3.615
*Union Discount	Jan 29	Final 26.0

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

BANK RETURN

DEPARTMENT BANKING	Tuesday December 31, 1985	Increase (+) or decrease (—) for week
LIABILITIES	£	£
Capital	14,553,000	—
Public Deposits	104,368,815	+ 7,328,818
Bankers Deposits	957,323,964	+ 82,449,671
Reserve and other Accounts	1,457,575,463	+ 67,138,176
	2,533,841,242	+ 87,136,666
ASSETS		
Government Securities	857,618,771	— 908,600,000
Advance & other Accounts	766,344,168	+ 163,813,803
Premises Equipment & other Secs.	1,200,731,320	+ 144,626,692
Notes	5,823,014	— 2,437,035
Coin	429,969	— 53,995
	2,533,841,242	+ 87,136,666

ISSUE DEPARTMENT

	£	£
LIABILITIES		
Notes in circulation	12,863,176,986	— 587,562,967
Notes in Banking Department	6,823,014	— 2,437,033
	12,870,000,000	— 590,000,000
ASSETS		
Government Debt.	11,015,100	
Other Government Securities	1,490,226,628	— 729,508,287
Other Securities	11,368,758,272	+ 139,508,287
	12,870,000,000	— 590,000,000

CORRECTION NOTICE
US$ 200,000,000
CONTINENTAL ILLINOIS OVERSEAS FINANCE CORPORATION N.V.
(Incorporated with limited liability in the Netherlands Antilles)
GUARANTEED FLOATING RATE SUBORDINATED NOTES DUE 1994
Guaranteed on a Subordinated basis by
Continental Illinois Corporation
(Incorporated with limited liability in Delaware, USA)
In accordance with the provisions of the Notes and the Reference Agency Agreement between Continental Illinois Overseas Finance Corporation N.V. and Citibank, N.A., dated June 24, 1982, notice is hereby given that the Rate of Interest has been fixed at 8¹/₁₆% p.a. and that the interest payable on the relevant Interest Payment Date, March 27, 1986, against Coupon No. 15 will be US$198.58 in respect of US$10,000 nominal amount of the Notes.
January 6, 1986, London
By: Citibank, N.A. (CSSI Dept.), Agent Bank
CITIBANK

Yes, you've told us how badly Distillers is run, but what makes you think you could do better Mr. Gulliver?

GULLIVER The changes that are necessary at Distillers are so far reaching, they can only be introduced from the outside. We've done this already with a similar company – Allied Suppliers, which we bought in June 1982.

They were, in some respects, the "Distillers" of the grocery trade, a very large company that had grown by amalgamations, but whose market share had been sliding downhill for years. People expressed doubt whether Allied's business could be improved.

Profits last year were 240% of profits three years ago. Our share price has more than doubled in the last 18 months.

QUESTION *But Distillers' stock market value is 2½ times Argyll's. Aren't you biting off more than you can chew?*

GULLIVER No. Allied Suppliers was also 2½ times our size when we bought them. Yet we started to produce improved results almost straight away.

Nearly all Argyll Foods management are from Allied Suppliers. We provide the strategy and direction; they run the business. In the same way, we will identify the existing skills in Distillers, and give their management the leadership they require.

QUESTION *Your reputation has been made in the fast-moving retail trade. How does this qualify you to nurture famous whisky brands?*

GULLIVER Our prime skills are in marketing and in general management. These skills can both be applied to diverse businesses. Our record proves this. Our senior executives have backgrounds in companies like Unilever, Procter & Gamble, Mars, and Beecham: some of the most successful marketing companies in the world. We understand long-term business building and world brand marketing. It is this kind of marketing skill that we will bring to Distillers.

But more importantly, we will bring the strategy and direction required to build Distillers into an international drinks business with a much broader base.

QUESTION *You claim to be able to revitalise Distillers. But how successful is your own Argyll drinks business?*

GULLIVER How do you measure success? We've taken our drinks business from £100,000 profit in 1980 to over £10 million profit last year. Return on shareholders' funds has increased from 3% to 34%.

Last year, Distillers Company (Home Trade) showed £0.5 million profit on their sales of £121 million. We made £1.3 million profit on our home trade sales of just £30 million. If we could do that when our lead product is a regional rum, imagine what we could do with the famous names like Haig, Dewar's and Johnnie Walker.

QUESTION *You've run businesses in Britain. But what do you know about international markets?*

GULLIVER I have had direct experience in North America since 1971, when I became responsible for retail interests there, in addition to being Chairman and Chief Executive of Fine Fare here.

In 1982 we bought Barton Brands, a Chicago based drinks company, and built upon their traditional business of bourbon and Scotch whisky. For instance, we developed Corona Extra, making it the fastest growing imported beer in the United States.

Distillers make a lot of their performance in the United States. But it has all been achieved by local distributors, not by them. It wasn't till 1984 that they decided to buy one of these distributors, paying some $250 million mainly for the right to distribute their own brands.

QUESTION *Argyll has achieved its growth by acquiring companies – How do you answer that?*

GULLIVER We have a reputation for making good acquisitions, but our profits come from making these prosper. For instance, in our food business, since 1982 we've increased profits from £18 million to £44 million – with only £2 million of this resulting from acquisitions.

QUESTION *It is said you not only buy companies – but you also sell them.*

GULLIVER In the past 4 years we've sold peripheral activities for a sum of £17 million. That represents only 2% of the current market value of the Argyll Group.

Looking at Distillers, we don't see why they need seven prestigious offices in London's West End. We may sell some of those. But we certainly won't be selling any of Distillers' valuable brands or businesses. We want to build up Distillers' business – not take it apart.

QUESTION *What makes you so confident you will make money for Distillers' shareholders?*

GULLIVER Because it will be in the interests of our management to achieve this. Argyll directors are committed to our company's success. We own a total of £27 million worth of shares in Argyll and 180 of our senior management participate in a stock option scheme, with an average of 30,000 shares each. We all have a very powerful motivation to succeed – as will Distillers' executives with our management.

QUESTION *Shareholders are being bombarded with circulars. Is there to be any let up?*

GULLIVER The shareholders have my sympathy. But we hope soon to be able to reduce these mailings to two a year – telling Distillers' shareholders about their dividends and earnings.

Argyll. We can revive Distillers' spirits.

THIS ADVERTISEMENT IS PUBLISHED BY SAMUEL MONTAGU & CO LIMITED, CHARTERHOUSE JAPHET PLC AND NOBLE GROSSART LIMITED ON BEHALF OF ARGYLL GROUP PLC.
THE DIRECTORS OF ARGYLL GROUP PLC ARE THE PERSONS RESPONSIBLE FOR THE INFORMATION CONTAINED IN THIS ADVERTISEMENT. TO THE BEST OF THEIR KNOWLEDGE AND BELIEF (HAVING TAKEN ALL REASONABLE CARE TO ENSURE THAT SUCH IS THE CASE) THE INFORMATION CONTAINED IN THIS ADVERTISEMENT IS IN ACCORDANCE WITH THE FACTS. THE DIRECTORS OF ARGYLL GROUP PLC ACCEPT RESPONSIBILITY ACCORDINGLY.
SOURCE: 1985 AUDITED ACCOUNTS. DISTILLERS CIRCULAR MAY 1984.

WORLD STOCK MARKETS

Indices

NEW YORK DOW JONES

	Jan. 5	Jan. 2	Dec. 31	Dec. 30	Dec. 27	1985-86 High	1985-86 Low	Since Comp'n High	Since Comp'n Low
♦Industri'ls	1349.28	1537.73	1546.67	1550.46	1543.00	1553.10 (18/12)	1184.96 (4/1/85)	1565.10 (16/12/85)	41.22 (2/7/32)
Home Bnds	84.51	84.10	83.79	83.75	83.63	84.51 (6/1/86)	72.72 (20/8)	—	—
Transport..	702.99	706.65	706.21	709.52	706.45	725.51 (16/12)	553.05 (4/1/85)	795.51 (16/12/85)	12.39 (8/7/32)
Utilities ..	175.88	174.45	174.81	172.29	179.09	175.88 (6/1/86)	146.54 (4/1/85)	175.88 (6/1/86)	10.5 (28/4/42)
TradingVol 000-†	105,05	98,960	112,660	21,970	81,560	—	—	—	—

♦Day's High 1557.11 (1601.96) Low 1534.98 (1525.74)

Industrial dividend yield %	Dec. 27	Dec. 20	Dec. 15	year ago (aprox)
	4.12	4.12	4.19	6.00

STANDARD AND POORS

	Jan. 5	Jan. 2	Dec. 31	Dec. 30	Dec. 27	1985-86 High	1985-86 Low	Since Comp'n High	Since Comp'n Low
Industrials	233.96	232.67	234.56	234.96	955.02	255.75 (16/12)	182.24 (4/1/85)	235.75 (16/12/85)	6.62 (30/6/32)
Composite	210.88	208.59	211.28	210.65	209.61	919.02 (16/12)	163.68 (4/1/85)	212.02 (16/12/85)	4.40 (1/6/32)

	Dec. 24	Dec. 18	Dec. 11	Year ago (approx.)
Industrial dividend yield	3.88	5.41	3.48	4.11
Industrial P/E ratio	13.51	14.77	14.00	10.49
Long Gov. Bond yield	9.29	9.55	2.45	11.38

N.Y.S.E. ALL COMMON

Jan. 5	Jan. 2	Dec. 31	Dec. 30	1985-86 High	1985-86 Low
121.60	120.74	121.58	121.16	121.90 (18/12)	94.60 (4/1/85)

Rises and Falls

	Jan. 5	Jan. 3	Dec. 31
Issues Traded	2,010	1,983	2,008
Rises	1,119	595	992
Falls	476	890	654
Unchanged	415	398	425
New Highs	116	88	125
New Lows	4	7	4

TORONTO

	Jan. 5	Jan. 2	Dec. 31	Dec. 30	1985-86 High	1985-86 Low
Metals & Minerals	2079.34	2087.1	2079.4	2079.7	8190.07 (13/2)	1740.82 (31/10)
Composite	2881.4	2881.5	2900.6	2898.9	2900.6 (31/12)	9348.6 (8/1/85)
MONTREAL Portfolio	148.50	148.31	141.88	141.84	142.07 (17/12)	17.00 (4/1/86)

NEW YORK ACTIVE STOCKS

	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Carolina Pwr...	2,841,000	30½	−⅛	Union Carbide...	1,736,500	75	+1⅛
Bell South	2,788,800	48⅞	+⅜	RCA	1,613,700	61½	+1⅞
Illinois Power...	2,668,500	24	—	Midcom Corp...	1,210,800	69⅞	−⅛
Sperry Corp ...	2,207,000	53⅞	−½	GAF Corp	1,140,600	55⅞	+2
Eastern Air ...	1,827,200	5⅞	−⅛	Occidental Pet	1,107,300	31⅛	+⅛

	Jan. 5	Jan. 2	Dec. 31	Dec. 30	1985-86 High	1985-86 Low
AUSTRALIA All Ord. (1/1/80)	1020.4	1019.9	1003.9	1001.5	1052.2 (25/10)	715.3 (7/1/85)
Metals & Mnls. (1/1/80)	500.3	492.5	487.6	486.3	685.6 (20/5)	882.5 (7/1/85)
AUSTRIA Credit Aktien (2/1/62)	(c)	(c)	(c)	118.6	121.95 (25/11)	48.21 (24/1/85)
BELGIUM Brussels SE (3/1/80)	2800.88	2844.75	(c)	2845.46	2886.36 (25/11)	2089.7 (18/1/85)
DENMARK Copenhagen SE (3/1/83)	—	257.78	(c)	(u)	257.78 (2/1/86)	158.44 (8/1/85)
FRANCE CAC General (31/12/82)	275.60	287.8	265.3	264.5	273.5 (6/1/86)	180.5 (8/1/85)
Ind Tendance (31/12/85)	108.80	101.6	100.0	—	103.2 (2/1/86)	100.0 (31/12/85)
GERMANY FAZ Aktien (31/12/58)	675.74	648.84	(c)	654.05	678.74 (6/1/86)	382.38 (3/1/85)
Commerzbank (1/12/53)	2026.9	1957.4	(c)	1951.6	2026.9 (6/1/86)	1111.8 (3/1/85)
HONG KONG Heng Seng Bank (31/7/64)	1781.25	1774.38	1752.45	1752.82	1781.25 (2/1/86)	1228.74 (2/1/85)
ITALY Banca Comm Ital. (1972)	480.55	467.38	457.04	460.04	480.55 (31/1/86)	228.56 (2/1/85)
JAPAN** Nikkei (16/5/49)	(c)	(c)	(c)	(c)	13128.9 (17/12)	11545.2 (5/1/85)
Tokyo SE New (4/1/68)	(c)	(c)	(c)	(c)	1057.55 (10/7)	916.63 (4/1/85)
NETHERLANDS ANP-CBS General (1970)	282.5	260.5	(c)	255.5	282.6 (3/1/86)	186.8 (6/1/85)
ANP-CBS Indust (1970)	253.2	250.4	(c)	242.5	258.2 (6/1/86)	147.3 (1/1/85)
NORWAY Oslo SE (4/1/83)	383.24	386.02	(c)	385.12	412.88 (12/11)	288.19 (2/1/85)
SINGAPORE Straits Times (1966)	816.62	812.32	(c)	820.04	862.85 (7/5)	698.15 (23/12)
SOUTH AFRICA JSE Gold (28/9/78)	1151.6	—	1184.8	1149.2	1277.1 (25/11)	829.3 (1/8)
JSE Indust (28/9/78)	1088.8	—	1067.7	1057.8	1069.4 (3/1/86)	787.1 (7/5)
SPAIN Madrid SE (30/12/85)	100.88	101.08	(c)	100.00	101.03 (2/1/86)	100.0 (30/12/85)
SWEDEN Jacobson & P (1/1/58)	1,799.15	1787.66	(c)	1737.66	1799.14 (3/1/86)	1285.32 (8/7)
SWITZERLAND Swiss BankCpn (31/12/58)	608.5	(c)	(c)	587.4	608.5 (3/1/86)	388.7 (5/1/85)
WORLD M.S. Capital Intl. (1/1/70)	258.00	—	256.5	258.2	258.2 (3/1/86)	196.5 (4/1/85)

** Saturday December 28: Japan Nikkei 13,113.32. TSE 1,048.40.

Base values of all indices is 100, except: JSE Gold—255.7; JSE Industrial—264.3; Australia All Ordinary and Metals—500; NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

AUSTRIA

1985/6 High	1985/6 Low	Dec. 30	Price Sch %
448	226	Credit'stalt Pfd	428
614	530	Goesser	614
[illegible]	[illegible]	[illegible]	[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FRANCE

[illegible]

SWITZERLAND

[illegible]

GERMANY

1985/6 High	1985/6 Low	Jan. 5	Price Dm
274	100.3	AEG-Telef.	970
2,500	851	Allianz Vers.	8,600
[illegible]	[illegible]	[illegible]	[illegible]

NORWAY

[illegible]

ITALY

[illegible]

NETHERLANDS

[illegible]

SINGAPORE

[illegible]

AUSTRALIA

1985/6 High	1985/6 Low	Jan. 3	Price Aust. $
6.96	4.28	ANZ Group	4.46xa
9.46	1.76	Ampol Pet.	2.55
1.29	0.75	Ashton	1.18
6.1	1.88	Aust. Cons. Inds.	9.95
5.4	2.2	Aust. Guarantee	2.45
3.0	2.28	Aust. Nat. Inds	2.85
[illegible]	[illegible]	[illegible]	[illegible]

HONG KONG

[illegible]

SWEDEN

[illegible]

SOUTH AFRICA

[illegible]

JAPAN

1985/6 High	1985/6 Low	Dec. 28	Price Yen
1,565	1,040	Ajinomoto	1,150
790	415	All Nippon Air.	798
2,097	1,195	Alps Electric	1,740
1,100	621	Asahi Chem	781
945	782	Asahi Glass	937
975	725	Bank Tokyo	760
[illegible]	[illegible]	[illegible]	[illegible]

SPAIN

[illegible]

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO

Closing prices January 3

[illegible]

MONTREAL

Closing prices January 3

[illegible]

OVER-THE-COUNTER

Nasdaq national market, closing prices, January 3

Continued from Page 27

[illegible]

"What's special about these Danish companies?"

ABN Bank Copenhagen Branch, Assurandør-Societetet, Barclays Finans A/S, Berlingske Tidende, Bikuben, Boliden, Buch+Deichmann, Danish Steel Works Ltd., Danish Telecom International A/S, Danish Turnkey Dairies Ltd., Dannebrog Shipyard Ltd., A/S De Danske Sukkerfabrikker, Domi A/S, Duscell-Dalmon ApS, East Asiatic Co. Ltd. (A/S Det Østasiatiske Kompagni), A/S Elizabeth Arden, Ess-Food, F.L. Smidth & Co. A/S, Forlaget Management A/S, Frisko Sol Is A/S, Ginge Brand & Elektronik A/S, Gilinges Danmark A/S, Grundfos International A/S, Haldor Topsøe A/S, Hellerup Bank A/S, Henriques Bank Aktieselskab, Kreditforeningen Danmark A/S, Kommunedata, Midtbank, A/S Niro Atomizer, Norsk Hydro Danmark a.s, Nykredit, Price Waterhouse, Privatbanken A/S, Revisionsfirmaet C. Jespersen, Skandinavisk Tobakskompagni, Statsanstalten for Livsforsikring, The Jutland Technological Institute, Aktieselskabet Varde Bank.

They are all regular readers of the FINANCIAL TIMES • European Edition

For further information about subscription rates in Scandinavia, please contact Marianne Bang Nielsen in Copenhagen:

01-13 44 41

INTERNATIONAL APPOINTMENTS

Gould splits role of chief executive and chairman

BY DONALD MACLEAN

GOULD, the US electronics concern, has split the role of chairman from that of chief executive. Mr James F. McDonald, aged 47, who has been chief operating officer of Gould since 1984, is to take over from Mr William T. Ylvisaker, as chief executive at the company's annual meeting on April 29.

Mr Ylvisaker, 61, who has been chief executive of the Illinois-based company since 1967, and has taken what was a battery maker into electrics and out of electrics into electronics, is to remain chairman, and to be chairman of the executive committee.

He will concentrate less on the day-to-day running of the company and more on strategic planning, acquisitions and divestitures.

Gould, which built its revenues from $773m in 1975 to $1.4bn by 1984, planned 1985 research and development expenditure at around 13 per cent of revenues.

Mr McDonald's appointment underlines the change of direction taken by Gould. He joined Gould after 21 years with International Business Machines, the US computer giant, holding positions covering computer design and development, research, manufacturing and marketing, and with the prospect of eventually becoming chief executive.

Gould, which took a write-off of $160m in the second quarter of 1985, on semiconductor business, is involved in areas including information systems, factory automation, electronic instruments, and defence systems involving the submarine field.

Mr James F. McDonald (left) is to be chief executive of Gould, while Mr William T. Ylvisaker remains chairman

Gitner ahead in Texas Air

TEXAS Air Corporation announces that Mr L. Gitner has been elected president, and to member of the board, reports AP-DJ from Houston.

Mr Frank Lorenzo, who has been president, becomes chairman and chief executive officer. Mr Gitner was vice chairman of Pan Am Corporation and Pan American World Airways, as well as chief executive officer of Pan American World Services. He served on the boards of all three companies, which he joined in 1982.

Mr Gitner spent six years with Texas International Airlines, a carrier merged into Continental Airlines in 1982, which along with New York Air is controlled by Texas Air. He left Texas International as senior vice president of marketing and planning in 1980 to co-found and be president of People Express Airlines.

Prior to working for Texas International, Mr Gitner worked at Trans World Airlines, from 1968 to 1974.

IFC puts in Kreuter in Paris

By Our Financial Staff

INTERNATIONAL FINANCE Corporation (IFC) has appointed Mr Gunter H. Kreuter special representative in its Paris office.

As head in Paris, Mr Kreuter will have the tasks of identifying and developing relations with the European corporate sector, and liaise with the corporation's investment departments in Washington. The establishment of the position is part of an intensification of the corporation's promotional efforts in Europe.

IFC, the affiliate of the World Bank, is in turn an affiliate of the International Monetary Fund, an agency specialising in project financing and developing countries, providing private enterprises with equity participations, long-term financing without government guarantees, and technical assistance.

Johnson broadens role at Caltex Petroleum

BY OUR FINANCIAL STAFF

CALTEX Petroleum Corporation has announced that Mr Raymond F. Johnson, its president, has been elected to the additional positions of chairman and chief executive officer, effective March 1, when Mr Howard V. Yergin, Jr, retires.

The company, which is jointly owned by Chevron Corporation and Texaco, says that Mr Seymour S. Miller, senior vice president, will assume the new post of vice chairman.

Move round for Syntex

SYNTEX CORPORATION, the Californian health care company, has elected Mr Richard P. Powers vice president and chief financial officer.

Mr Powers succeeds Mr William Goez, who has been named president of Syva Company, Syntex's diagnostics subsidiary.

Mr Powers, 44, joined Syntex in 1981 as vice president and controller. Earlier this year he assumed responsibilities for planning additional to control.

Mr Gomez, 46, will also be a Syntex corporate vice president, responsible for diagnostic activities such as therapeutic drug monitoring, drugs of abuse screening, and diagnosis of infectious diseases.

Vigna at NY Fed HLBB

THE FEDERAL HOME LOAN Bank Board has announced the appointment of Angelo Vigna, executive vice president of the Federal Home Loan Bank of New York, as acting director of the Federal Savings and Loan Insurance Corporation (FSLIC).

Mr Vigna succeeds Peter Stearns who has resigned to return to private business. Mr Vigna's appointment is temporary, pending a permanent FSLIC director being named, reports Reuter from Washington.

Bond in an Appollo change

APPOLLO COMPUTER has named Mr Richard P. Bond as senior vice president, chief financial officer and general manager of the finance and administration group, the Chelmsford, Mass. concern announces.

Mr Bond was most recently chief financial officer at Stauffer Chemical Company. He replaces Mr David G. Lubrano who resigned his post to pursue personal interests in venture capital, but who will remain a consultant to the company.

Caltec also announces that Mr Harold R. G. Wiggins, vice president, Finance, becomes senior vice president and a director on March 1.

Messrs Johnson, Miller and Wiggins will comprise the company's executive committee.

Micek on at HCA

HOSPITAL CORPORATION of America has named Mr Roger E. Micek as senior vice president—finance and chief financial officer, with effect from January 1.

Mr Micek will succeed Mr Sam A. Brooks, who is resigning to pursue his own business interests, but will be available to the company as a consultant.

FOCUS ON SOUTH AFRICA SERIES

A special advertising series featuring companies involved in South African commerce and industry appeared in the Financial Times between October 9 and October 23, 1985. Brochures containing this series are now available at a cost of £3 per copy

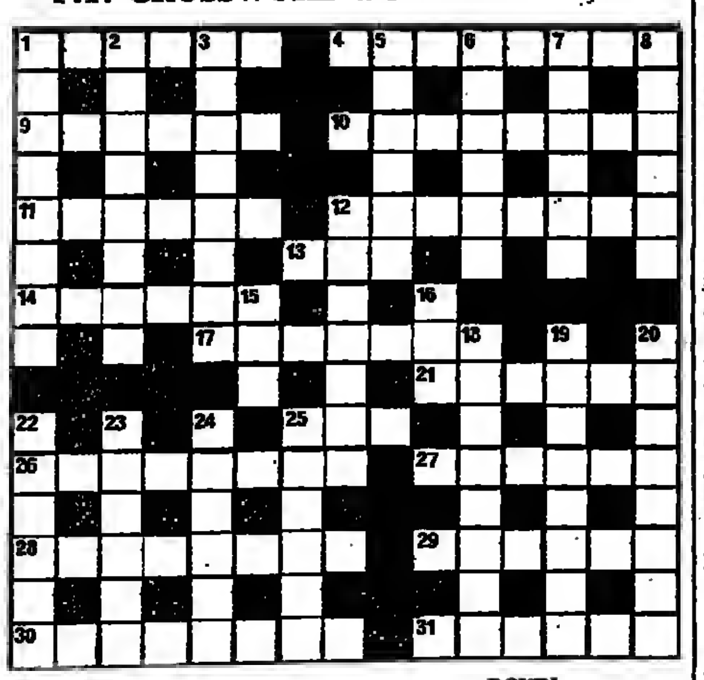
For further details please contact:

HUGH SUTTON

Financial Times

Bracken House, 10 Cannon Street, London EC4P 4BY

F.T. CROSSWORD PUZZLE No. 5,914



ACROSS

1 Bill in America has a way with old clothing (6)
4 Royal nipper is well protected in the water (4,4)
9 What is missing is the French copper—not available (6)
10 Agreement to marry next worshipper (8)
11 She is in order; rest is not in order (6)
12 Break can be seen in broken finger (8)
13 Person showing energy (3)
14 One of several disturbances dramatically linked with excursions (6)
17 Does it mean there is no conflict between US and China? (7)
21 Yard is pursuing ring responsible for forgery (6)
25 Ambassador and wife cut down (3)
26 The copper keeping her away from the French was a hard worker (8)
27 Presses on quickly to be included among selected players (6)
28 Careless mistakes by carrier (8)
29 Trick is to catch one's breath (6)
30 Drawing on an unknown desire (8)
31 Witness present during experiment (6)

DOWN

1 Adaptation of last main work written by Scott (6)
2 Where defenders go for a meal when they retire? (4,4)
3 Athlete takes leading position for a second (6-2)
5 One must have nothing to eat: this will prevent contamination (6)
6 That girl rocks all over the the place (6)
7 Circular nut turns round in shaft (6)
8 Spiked by counterplot? (6)
12 Provides stimulation since it is different (7)
15 Drive up to ruin (3)
16 Aware of the trend to start cheering (3)
18 Used to make the greens and potatoes piquant (4,4)
19 Go in front of stake to surrender (8)
20 Surveys abandoned by order of the military (4,4)
22 Why there's a lot of risk in alcohol? (6)
23 Circulation of air can be applied to bruises (6)
24 Bread's width determines type of gas burner (6)
25 Leading Lady is not finished with drug (6)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

UK APPOINTMENTS

Managing director at AMEC Group

Mr Emil Klajes has been appointed a director of AMEC and managing director of AMEC International Construction, overseas contracting arm of the group. His previous experience includes 10 years with Netherlands Airport Consultants (NACO) managing the South American and Middle-East activities. More recently he was managing director of his own consultancy.

★

TOUCHE REMNANT AND CO has appointed Mr M. J. Watt, a director, as manager of TR Pacific Basin Investment Trust.

★

Mr John Coles, Mr Keith Hann and Mr Toby Mountford have been appointed directors of STREETS FINANCIAL.

★

Mr Ian Edward Donovan has been appointed a member of the CIVIL AVIATION AUTHORITY. He will be group director responsible for financial and central services, for a five-year term from January 1. Mr Donovan joined the Authority last March when he was appointed controller, finance and planning. He was finance director and company secretary of Lucas Electrical from 1982 until his appointment to the CAA.

★

The following have been appointed directors of ALEXANDER HOWDEN AND BECK, the Lloyd's members' agency of Alexander Howden Group: Mr N. J. Robson (chairman), Mr C. F. Turner (managing director), Mr A. Bogardus Jr, Mr R. A. Dee, Ms Fiona Pellant, Mr G. G. Roots, Mr R. F. Thompson (secretary) and Mr A. E. Williams.

★

Mr Frank McLoughlin and Mr Stuart J. Doughty have joined the board of JOHN LAING CONSTRUCTION. Mr McLoughlin is responsible for certain building activities throughout the UK and Mr Doughty is director responsible for the civil engineering division. Mr G. Oliver Whitehead has become chairman of John Laing International. Mr Peter H. Beatty has joined the board of Laing Management Contracting.

★

RABONE CHESTERMAN has appointed Mr Tom Doneghan as sales director. He was export manager, Land Rover parts and equipment. Rabone Chesterman is a member of Bardsey.

★

Mr Robert Way has been appointed a director of DUNCAN LAWRIE.

★

LYNDOE (HOLDINGS) has appointed Mr Brian Mitchell as director of financial resources, replacing Mr Alan Taylor, who becomes a non-executive director. Mr Mitchell was formerly with Deloitte Haskin & Sell before moving into country practice in partnership with Norman Cox & Ashby of Tunbridge Wells.

★

STEEL BROTHERS HOLDINGS has appointed Mr J. B. Hay to the board in succession to Mr A. P. F. Malcolm.

★

Captain Peter Hunt has been appointed head of safety services at BRITISH AIRWAYS. Since 1981 he has been head of technical and training flight crew, a position he will continue to hold until a successor has been appointed. Captain Jack Jessop, director of safety services, has retired. He will remain a non-executive board member of British Airways and has taken over the chairmanship of the British Airways board air safety review committee from January 1.

★

Mr David Gilbertson has joined the board of METAL BULLETIN CONFERENCES. He will assume these responsibilities in addition to continuing as non-ferrous editor of Metal Bulletin.

★

Mr A. W. Pickup has been appointed financial director of STUART EDGAR following two years as company secretary.

★

PANNELL KERR FORSTER has appointed Mr Robert Hawkins as a partner in the Great Yarmouth and Norwich practice.

★

Mr Keith Hulme has joined WHITTINGDALE as an executive director responsible for the development of personal investment services. He steps down from the main board of Mercers, but remains a consultant.

★

JARDINE INSURANCE BROKERS has made the following appointments: Mr J. Monroe has been appointed a director of the non-marine division, and Mr E. L. Wetherall a director of the financial and technical services division of Jardine Thompson Graham. The marine division of Jardine Glanvill has made the following appointments: Mr K. R. Alston, Mr A. N. Bond and Mr M. O'Donnell have become divisional directors. Mr M. East, Mr J. E. Mayne, Mr N. H. T. Riddle and Mr C. B. Whiteaway have been made associate directors.

★

The following appointments have been made to the board of GODSELL, ASTLEY & PEARCE (FOREIGN EXCHANGE): Mr J. G. O'Neill, chairman; Mr P. Johnston, managing director; Mr P. R. Clarke, deputy managing director; Mr I. Lumley-Kelly and Mr R. A. Schneider, directors.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)
80 Holdenhurst Rd, Bournemouth 0345 717373

	Bid Price	Offer Price	+ or −	Yield Gross
High Income				
Gilt & Fixed Int.	109.8	116.1	−0.5	10.34
High Inc Equity	77.8	82.7	+0.4	5.98
Worldwide Bond	160.9	172.4	−0.4	8.62
Capital Growth				
American Growth	138.0	146.8	−0.4	2.41
Asian Pacific	64.8	68.4	+0.3	2.58
Assets & Ergs. Tt.	80.6	87.2	+1.2	3.47
Capital Reserve	[illegible]	61.1		—
Commodity & Engy.	45.0	47.8	+0.1	1.72
European Capital	[illegible]	71.0	+0.3	2.11
General	120.7	129.0	+0.6	3.29
Japan	53.1	56.0	−0.6	—
Mastertrust	50.2	53.6		1.87
UK Growth Acc Units	107.4	115.4	+0.7	—
UK Growth Dist	75.0	80.6	+0.5	1.91
U.S. Emerging Co's	53.7	57.7	+0.2	0.45
Equities Prog.	173.9	185.9	+0.5	3.29

For Albion Name see Sentinel Funds Mngment Ltd

Allied Dunbar Unit Trusts PLC (a)(z)
Allied Dunbar Centre, Swindon, SN1 1EL 0793 610366 & 28291

[illegible]

CONTINUED OVERLEAF

AUTHORISED UNIT TRUSTS & INSURANCES

Oppenheimer Fund Mngt Ltd
66 Cannon St, London EC4N 6AE — Dlg. 01-236 3885

International Growth	134.4	122.4xd	+1.9	1.30
Income & Growth	46.0	48.9	+0.4	2.8
Special Situations	61.2	65.1xd	+0.5	1.20
American Growth	29.1	30.9	...	1.50
Japan Growth	35.2	37.5	+0.3	—
European Growth	49.0	52.4	+0.1	2.50
UK Growth	44.7	47.8xd		1.4
Pacific Growth	33.2	35.5xd	−0.4	2.0
High Income	29.6	31.6xd	−0.1	7.6
Practical Income Units	44.5	47.4	+0.2	2.70
Practical Accum. Units	80.1	85.3	+0.3	2.70

Pearl Trust Managers Ltd (a)(g)
252 High Holborn, WC1V 7EB — 01-405 8441

Pearl Growth Fd.	71.9	76.5	−0.4	2.76
Accum Units	106.3	113.1	+0.6	2.76
Pearl Inc.	98.0	104.3	+0.2	4.77
Pearl Unit Tst.	104.2	110.9xd	+0.4	3.76
(Accum. Units)	178.6	190.0	+0.7	3.76
Pearl Inst Equity	102.9	109.5	−0.5	1.83
(Accum Units)	102.9	109.5	+0.5	1.83

Perpetual Unit Trust Mngmt. (a)
48 Hart Street, Henley on Thames — 0491 576868

International Growth	218.9	234.9	+1.2	1.43
Income	156.3	167.4	−0.7	5.36
Worldwide Recovery	121.1	130.0	+1.5	2.13
American Growth	59.2	63.6	+0.4	1.08
Intl. Emerging Cos.	66.1	71.0	+1.0	0.75
Far East Growth Fd.	53.1	57.0	+0.4	1.14

Prolific Unit Trusts
222 Bishopsgate, London EC2 — 01-247 7544/7

Prolific American Inc.	50.3	53.5	−0.3	4.62
Prolific Far East	115.4	122.4	+0.2	0.25
Prolific Extra Inc.	67.8	71.9xd	+0.5	5.65
Prolific C'ent & Gilt	80.3	88.3	+0.1	7.13
Prolific High Inc	144.9	153.7	+1.0	4.96
Prolific Intl	91.7	97.1	+0.1	1.80
Prolific N. Amer.	122.9	129.9	−0.3	1.97
Prolific Spec. Sits	156.7	166.2xd	+0.5	1.40
Prolific Technology	105.1	111.4xd	—	0.60

Providence Capital Fd. Mgrs. Ltd
30 Uxbridge Road, London W12 8PG — 01-749 9111

Stewart Ivory Unit Trust Mgrs Ltd (a)
45 Charlotte Sq, Edinburgh — 031-226 3271

American Fund	194.9	207.6	−0.4	7.29
(Accum. Units)	218.8	233.2	+0.4	2.24
(Withdrawal Units)	143.1	150.3	−0.3	2.29
Australian Fund	104.2	111.0	+2.1	1.09
(Accum. Units)	105.5	112.3	+2.2	1.09
British Fund	479.0	511.0	+1.2	4.60
(Accum. Units)	638.6	680.2	+1.2	4.60
European Fund	222.4	237.0	+0.9	1.02
(Accum. Units)	234.1	249.4	+1.0	1.02
Japan Fund	216.9	231.1	−1.5	0.35
(Accum. Units)	217.5	231.8	−1.5	0.35
Smlls PPP	145.2	152.7	—	—

Sun Alliance Fund Management Ltd
Sun Alliance House, Horsham — 0403 56293

Equity Tst.	342.9	364.7	+1.4	2.47
North America	51.4	54.6	+0.1	1.83
Far East	54.9	58.4	−0.3	1.17

Sun Life Trust Mngmt. Ltd
107 Cheapside, London EC2V 6DU — 01-606 6010

American Growth Acc.	24.0	26.4xd	−0.1	1.9
American Income Acc.	25.4	27.0xd	—	4.6
American Income Inc.	25.1	26.7xd		4.7
European Growth Acc.	40.0	42.5	+0.7	2.1
Far East Growth Acc.	28.8	30.6	—	0.0
Int. Growth Acc.	27.3	29.0		0.9
Japan Growth Acc.	34.9	37.1xd	−0.3	0.5
UK Growth Acc.	29.6	31.5xd	+0.6	2.4
UK Income Acc.	27.3	29.0xd	−0.1	4.3
UK Income Inc.	26.6	28.3xd	−0.1	4.3
Managed Growth Acc.	31.0	33.0	+0.3	2.3
Managed High Yield Inc.	32.9	35.0	−0.2	6.7
Managed Income Inc.	27.7	29.5	−0.1	4.2

Swiss Life Pen. Tst. Man. Co Ltd (a)(c)
99-101 London Rd, Sevenoaks — 0732 450161

Equity Dist.*	238.6	252.4	—	3.80
Equity Acc.*	287.0	303.7	—	3.80
Fixed Int. Dist.†	115.1	119.2	—	11.35
Fixed Int. Acc.†	168.9	175.0	—	11.35

*Prices on Jan 2. Next dealing Jan 8
†Prices on Jan 2. Next dealing Feb 5

TSB Unit Trusts (b) (c) (y)
PO Box 3, Keens House, Andover, Hants SP10 1PG

INSURANCES

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

Money Market Trust Funds

Money Market Bank Accounts

I.B.A. 10.83 8.10 12.05 Daily

Tyndall & Co
29-33 Princess Victoria St, Bristol. 0272 732241

	Gross	Net	Gr Equiv CAR	Int Cr
Demand Acc	11.20	8.37	12.34	Qtr
Money Acc	11.03	8.25	12.15	Qtr

J. Henry Schroder Wagg & Co Ltd
Enterprise House, Portsmouth 0705 827733

	Gross	Net	Gr Equiv CAR	Int Cr
Special Acc	10.75	8.04	11.91	Mth
Over £10,000	11.0	8.22	12.20	Mth

Western Trust & Savings Limited
The Moneycentre, Plymouth PL 1SC 0752 24141

	Gross	Net	Gr Equiv CAR	Int Cr
High Int Chq Acc	11.43	8.49	12.83	Qtr

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. ‡ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase at ex dividend.

OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	28	Marks & Spencer	13
BAT	26	Midland Bk	35
BOC Grp	27	NEI	10
BSO	8	Nat West Bk	55
BTR	33	P & O Dfd	35
Babcock	13	Plessey	14
Barclays	33	Polly Peck	21
Beecham	30	Racal Elect	15
Blue Circle	50	RHM	12
Boots	18	Rank Org Ord	35
Bowaters	30	Reed Intnl	60
Brit Aerospace	32	Sears	11
Brit. Telecom	17	TI	35
Brown (J.)	3½	Tesco	24
Burton Ord	45	Thorn EMI	34
Cadburys	13	Trust Houses	12
Charter Cons	18	Turner Newall	9½
Comm Union	23	Unilever	90
Courtaulds	13	Vickers	35
Distillers	36	**Property**	
FNFC	12	Brit Land	14
Gen Accident	55	Land Secs	26
Gen Electric	14	MEPC	26
Glaxo	180	Peachey	24
Grand Met	30	Samuel Props	15
GUS 'A'	78	**Oils**	
Guardian	60	Brist. Oil & Min	3½
GKN	20	Brit Petroleum	45
Hanson Tst	18	Burmah Oil	27
Hawker Sidd	36	Charterhall	4
ICI	42	Premier	5
'Imps'	16	Shell	55
Jaguar	27	Tricentrol	18
Ladbroke	27	Ultramar	18
Legal & Gen	60	**Mines**	
Lex Service	24	Cons Gold	40
Lloyds Bank	35	Lonrho	12
Lucas Inds	38	RTZ Zinc	50

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Interest Due	Stock	Price £	Last xd	Yield Int.	Yield Red.
25 Aug 25 Feb	Exch. 11pc '86	99	19 7	11 17	11 92
11 Oct 11 Apr	Treas 10pc Cnv 1986	99	24 9	10 05	11 87
19 Nov 19 May	Treas 3pc 1986	97	14 10	3 09	11 02
19 Nov 19 May	Exch 10½pc 1986	99	14 10	10 55	11 89
12 Dec 12 Jun	Treas 12pc 1986	100	15 11	11 99	11 79
10 Jan 10 Jul	Treas 8¾pc 1984 86‡‡	98	4 12	8 63	11 71
29 Apr 29 Oct	Exch 14pc 1986	101	23 9	13 78	11 81
21 May 21 Nov	Exch 2½pc 1986	95	15 10	2 61	1 75
22 Jul 22 Jan	Exch 13¼pc 1987	101	16 12	13 06	11 70
10 Aug 10 Feb	Treas 10¼pc Cv '87	98	4 1	10 42	11 84
24 Aug 24 Feb	Exch 2½pc 1987	93	18 7	2 67	8 48
6 Oct 6 Apr	Exch 10½pc 1987	98	29	10 65	11 72
1 Nov 1 May	Funding 6½pc 85 87‡‡	94	25 9	6 86	10 87
12 Dec 12 Jun	Treas 10pc 1987	97	5 11	10 21	11 64
14 Jan 14 Jly	Treas 3pc 1987	92	9 12	3 25	8 47
3 May 3 Nov	Treas 12pc 1987	100	21 9	11 91	11 53
26 Jul 26 Jan	Treas 7¾pc 1985 88‡‡	93	20 1	8 26	11 22
10 Nov 10 May	Exch 10½pc '88	98	4 10	10 65	11 33
14 Dec 14 Jun	Treas 9½pc Cv '88	96	7 11	10 10	11 43
1 Jan 1 Jul	Transport 3pc '78-88	87	25 11	3 42	8 59
25 Apr 25 Oct	Treas 9¼pc '88	95	18 9	9 96	11 45
22 Aug 22 Feb	Treas 11½pc 1989	100	16 1	11 49	11 43
18 Oct 18 Apr	Treas 9½pc Cnv '89	94	11 9	10 02	11 44
15 Nov 15 May	Treas 3pc 1989	84	19 10	3 56	8 56
14 Dec 14 Jun	Treas 10½pc 1989	97	7 11	10 16	11 37
1 Feb 1 Aug	Exch 10pc 1989	96	27 12	10 41	11 43
29 Mar 29 Sep	Exch 11pc 1989	98	21 8	11 1[illegible]	11 40
15 Apr 15 Oct	Treas 5pc 1986 89	85	9 9	5 83	9 58
15 May	Exch 10½pc Cv '89 £40pd	38		10 51	11 05

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont.

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INDUSTRIALS—Continued

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

INSURANCES

LEISURE

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

FINANCE, LAND—Cont.

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ◆ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ✚ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- ϕ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ϕ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ¶ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	102	.....	Fin. 13% 97/02	£104¾	+¼
Craig & Rose £1	800	.....	Arnotts	230	.....
Finlay Pkg. 5p	45	.....	CPI Hldgs	60	.....
Holt (Jos) 25p	700	.....	Carrol Inds.	150	−5
IoM Stm. £1	67	.....	Dublin Gas	70	.....
			Hall (R. & H.)	50	.....
IRISH			Helton Hldgs.	25	.....
Fund 11¼% 1988	£98	−½	Irish Ropes	47xd	+4
Nat. 9¾% 84/89	£93¼xd	−¼	Unidare	153	.....

"Recent Issues" and "Rights" Page 16
(International Edition Page 18)

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £875 per annum for each security.

Closing prices, January 3

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
26¾	16	AAR	.60	2.1	18	54	u27	26⅛	27	+⅞
24	10¼	AGS			18	202	u24½	23½	24⅛	+½
15⅝	6⅛	AMCA				2	11⅛	11⅛	11⅛	−⅛
50¾	33½	AMR			7	5334	41	39¾	40	−1⅛
24¾	18⅝	AMR pf	2.18	9.3		84	23⅝	22⅞	23⅜	
16¾	9	ARX			14	133	15¼	14¾	15	−¼
55⅞	32¾	ASA	2a	3.7		310	25	34⅝	30	+¾
27	10½	AVX		2.2		180	14⅝	14⅛	14⅜	
26⅞	20⅝	AZP	2.72	10.	8	1680	27⅛	26⅞	26¾	
72	39⅞	AbtLab	1.40	2.0	18	1008	68⅝	67⅝	68⅝	+¾
26⅝	18⅝	AccoWd	.60	1.9	10	52	26½	26	26¼	
24¾	10	AcmeC	.40	3.0	19	111	15½	13¼	13½	
10½	7	AcmeE	.32b	3.8	13	18	8½	8⅜	8⅜	−⅛
19⅝	15½	AdaEx	1.93e	9.7		60	u19¾	19⅝	19⅝	+⅛
22¾	14	AdmMl	.40	1.8	8	49	22½	22⅛	22⅜	−¼
18⅜	6¾	AdvSys	.53t	3.0	18	173	17¾	17½	17⅝	−¾
35⅜	22⅛	AMD			42	2011	26⅞	25⅝	25¾	−⅛
12⅝	10⅝	Adobe n				264	12⅝	12¼	12¼	
17⅞	14⅝	Adob pf	1.84	10.		63	u18	17⅝	17¾	+⅛
19	15¼	Adob pf	2.40	14.		69	18	17¾	17¾	
14⅜	7½	Advest	.12a	.9	16	528	13½	12⅞	13⅜	−⅛
53½	36	AetnLf	2.64	3.0	17	1693	53⅜	52¾	53¼	+¼
57½	52½	AetL pf	5.19e	9.7		402	53⅜	53⅛	53⅜	+¼
49	24⅝	Ahmns	1.20	3.5	9	674	48⅜	47⅝	48¾	+⅞
8⅝	2½	Aileen				149	3⅝	3⅛	3⅛	−⅛
68¾	44½	AirPrd	1.48	2.3	14	535	64½	62⅞	64½	+1⅜
24⅜	17½	AirbFrt	.60	3.1	11	150	19¼	18⅞	19⅝	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 27

NYSE COMPOSITE CLOSING PRICES

[illegible]

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge
16	10⅛	WyleLb	.32	2.2	84	06	14⅝	14⅝	14⅝	+⅜
23⅜	15½	Wynns	.80	3.5	13	41	17¼	17	17¼	+½
		X Y Z								
60½	37¼	Xerox	3	5.0	28	3360	59⅞	58⅞	59½	+1⅛
56¾	48½	Xerox pf5.45		10.		10	54⅝	54	54⅝	+⅜
30¼	24⅜	ZaleCp 1.32		4.5	15	68	29⅜	28½	29⅜	+⅜
17	6¾	Zapata	.12	1.5	59	969	8⅛	7⅞	8¼	+½
66⅞	32⅝	Zayre s	.48	.8	16	622	61⅞	59	59½	−1½
25	16¼	ZenithE			988	538	20¼	19½	19¾	−⅜
23⅝	17¼	Zero s	.32	1.4	19	15	22¾	22⅝	22¾	−⅛
41½	24¾	Zurn 1.32		3.5	14	361	37⅞	37⅝	37⅞	+½

• Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begins with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Closing prices January 3

[illegible]

OVER-THE-COUNTER

Nasdaq national market, closing prices, January 3

[illegible]

Continued on Page 20

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Carousel runs out of steam

BY COLIN MILLHAM

It would be difficult to find more contrast between the performance of a currency than the dollar at tho beginning of this year and at tho start of 1985. Last January it was surging to new record highs; this month it is et its lowest level for more than 2½ years.

At the beginning of last year the US economy eeemed to be growing et an oxceptional rate. Couplod with high interest rates to fund tho large hudget deficit, it was drawing funds away from countries such as Japan and Germany. These countries, particularly Japan, hove had an enviahle trade surplus with the US in 1985, and the money oarned has returned to the US to fund tho borrowing requirement of the federal authorities.

It has been liko a carousel, driven round until it runs out of eteam and suddenly threotens to lose its attraction. There comes a point whore tho money earned in goods by Japan and European countries cannot find a natural home in the US, because tho authorities need to correct the situation. A strong dollar has produced capital inflows into the US, hut has also led to o decline in industrial output, and growing pressuro for protectionist measures to support a suffering home economic hase.

Tho US trade deficit has been running ot ovor $10hn a month during tho last year, and was $131.8bn in tho first 11 months of 1985, compared with $115.36hn for tho same period of 1984. Last Novembor the deficit with Japan was nearly half tho total, and clearly not running at a sustainahle level.

At the start of last year the US economy was forecast to grow at 4.3 per cent, and the Reagan Administration has suggested that growth this year will bo in the order of 4 per cent. But the rate for 1985 has been revised down to 2.6 per cent, and financial markets are suspicious that the rate for 1986 is over optimistic. Growth in the last quarter of 1985 was supported by stockbuilding and government spending, rather than consumer demand.

At the samo time countries with a large trado surplus with the US are reluctant to suppress their own economic growth. Mr Satoshi Sumita, governor of the Bank of Japan, said on Friday that he does not want the yon to strengthen further against tho dollar, ahead of the seven-nation summit due to take place in Tokyo in May.

This appears to set o floor of Y200 for the dollar, but unless it is sufficient to redress the trade balance in favour of Japan, it will not placato the protectionist forces building up in the US.

Tho conclusion seems to be that tho dollar will continue to weaken and because of Japan's strong trade position will fall helow Y200. At the samo time the dollar will also fall to around DM 2.40 against the D-mark, while the British outhorities will probahly be happy to see the pound remain around $1.45 and decline to o level of DM 3.50 against the D-mark.

£ IN NEW YORK

	Jan. 3	Prev. close
£ Spot	$1.4370-1.4380	$1.4590-1.460
1 month	0.43-0.41pm	0.43-0.42pm
3 months	1.31-1.28pm	1.38-1.36pm
12 months	4.58-4.48m	4.57-4.47pm

Forward premiums and discounts apply to the U.S. dollar.

CURRENCY MOVEMENTS

Jan. 3	Bank of England Index	Morgan Guaranty Change %
Sterling	78.0	−13.6
U.S. dollar	120.1	+16.7
Canadian dollar	80.5	−11.6
Austrian schilling	122.6	+6.8
Belgian franc	93.1	−6.2
Danish Kroner	84.0	−2.1
Deutsche mark	131.4	+16.0
Swiss franc	102.1	+12.7
Guilder	121.4	+7.4
French franc	70.1	−11.5
Lira	46.3	−19.3
Yen	176.2	+26.8

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

OTHER CURRENCIES

Jan 3	£	$
Arg'tina	1.1512-1.1535	0.8000-0.8010
Aus'alia	2.1180-2.1220	1.4670-1.4686
Brazil	15,217-10,007	10,575-10,630
Finland	7.8810-7.8410	5.4200-5.4290
Greece	211.90-216.18	146.44-148.40
H'kong	11.2300-11.2700	7.8095-7.8116
Iran	121.20*	83.90*
Kuwait	0.4160-0.4170	0.28930-0.28870
Luxemb'rg	72.55-72.65	50.40-50.50
Malay'sia	[illegible]	[illegible]
N'Z'land	[illegible]	[illegible]
Saudi Ar.	[illegible]	[illegible]
Sing'pore	[illegible]	[illegible]
S.Af.(Cm)	[illegible]	[illegible]
S.Af.(Fn)	[illegible]	[illegible]
U.A.E.	[illegible]	[illegible]

* Selling rate.

† Correction (December 31): NZ$— £ rate was 2.8775-2.8875.

CURRENCY RATES

Jan. 3	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.758515	0.614463
U.S.$	7½	1.09531	0.887578
Canadian $	9.56	*	1.24634
Austria Sch.	4	16.5762	15.3640
Belgian Fr	8¾	56.1499	44.6386
Danish Kr	7	9.80675	7.96157
D'mark	4	2.69523	2.18495
Guilder	5	[illegible]	2.46072
French Fr	9½	[illegible]	[illegible]
Lira	15½	N/A	[illegible]
Yen	5	N/A	[illegible]
Norway Kr	8	[illegible]	[illegible]
Span'h Pta	—	[illegible]	[illegible]
Swedish Kr	10½	N/A	[illegible]
Swiss Fr	4	[illegible]	[illegible]
Greek Dr'ch	20½	[illegible]	[illegible]
Irish Punt	—	N/A	0.716666

* CS/SDR rate for December 31: 1.53504

POUND SPOT—FORWARD AGAINST POUND

Jan 3	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4345-1.4520	1.4385-1.4395	0.44-0.41c pm	3.54	1.33-1.28 pm	3.63
Canada	2.0185-2.0380	2.0170-2.0210	[illegible]	[illegible]	[illegible]	[illegible]
Nethlnd.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W. Ger.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switz.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Belgian rate is for convertible francs. Financial franc [illegible]. Six-month forward dollar [illegible]. 12-month [illegible].

DOLLAR SPOT—FORWARD AGAINST DOLLAR

Jan 3	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	[illegible]	[illegible]	0.44-0.41c pm	3.54	1.33-1.28pm	3.63
Ireland†	[illegible]	[illegible]	0.50-0.40c pm	4.35	2.00-1.80pm	5.80
Canada	[illegible]	[illegible]	0.15-0.18c dis	−1.41	0.47-0.52dis	−1.41
Nethlnd.	[illegible]	[illegible]	0.58-0.55c pm	2.44	1.52-1.49pm	2.17
Belgium	[illegible]	[illegible]	6-8c dis	−1.55	21-26dis	−1.87
Denmark	[illegible]	[illegible]	par-½ore dis	−0.33	¼-½dis	−0.22
W. Ger.	[illegible]	[illegible]	0.74-0.69pf pm	3.48	2.03-1.98pm	3.25
Portugal	[illegible]	[illegible]	150-350c dis	−18.96	460-1,000dis	−18.35
Spain	[illegible]	[illegible]	75-125c dis	−7.80	270-350dis	−6.08
Italy	[illegible]	[illegible]	13½-16½lire dis	−10.71	36½-40½dis	−9.16
Norway	[illegible]	[illegible]	2½-3ore dis	−4.35	8½-9dis	−4.62
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switz.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc [illegible].

FORWARD RATES AGAINST STERLING

	Spot	1-month	3-month	6-month	12-month
Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japanese Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu January 3	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	8.12857	7.96157	−2.05	−0.54	±1.6421
German D-mark	2.23840	2.18495	−2.39	−0.88	±1.1455
French Franc	6.86402	6.70254	−2.35	−0.84	±1.3654
Dutch Guilder	2.52208	2.46072	−2.43	−0.92	±1.5162
Irish Punt	0.724578	0.716655	−1.09	−0.42	±1.6673
Italian Lira	1520.60	1490.69	−1.97	−1.47	±4.0856

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EURO-CURRENCY INTEREST RATES

Jan. 3	Short term	7 Days notice	1 Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
U.S. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sw. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Deutschmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fr. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B.Fr.(Fin)	8¾-6	5⅛-8⅝	8⅝-9⅞	8⅝-8⅞	9¼-0⅛	9-8¼
Br.Fr(Con)	6¾-10⅛	6¾-10¼	9⅝-10⅛	9⅝-10⅛	9⅛-10	9-9⅛
Yen	7⅛-8⅛	7¾-7⅞	7⅞-7¼	6⅝-6⅝	0⅞-6⅛	0⅞-6⅞
D. Krone	7-7¼	8¼-9¾	8½-5	8¼-0	8¼-0⅛	8¾-9¼
Asian $ (Sng)	8¼-8⅜	8¼-8⅜	8-8⅛	7⅞-8⅛	7⅞-8⅛	7⅞-8⅛

Long-term Eurodollars: two years 8¾-8⅞ per cent; three years 8⅞-9 per cent; four years 9-9⅛ per cent; five years 9⅛-9¼ per cent nominal. Short-term rates are call for US dollars and Japanese yen; others two days' notice.

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.4390	1.4348	1.4260	1.4138	1.3933

IMM—STERLING $s per £

	Latest	High	Low	Prev
March	1.4300	1.4375	1.4255	1.4305
June	1.4160	1.4240	1.4140	1.4375
Sept	1.4060	1.4165	1.4125	1.4150
Dec	1.3960	1.4010	1.3960	1.4100

LIFFE—STERLING £25,000 $ £

	Close	High	Low	Prev
March	1.4280	1.4361	1.4285	1.4348
June	1.4155	—	—	1.4215
Sept	1.4040	—	—	1.4108

Est. Volume 225 (511)
Previous day's open int. 2,129 (1,886)

LIFFE—DEUTSCHE MARKS DM 125,000 $ per DM

	Close	High	Low	Prev
March	0.4087	0.4101	0.4076	0.4103
June	0.4120	—	—	0.4136

Est. Volume 42 (50)
Previous day's open int. 204 (168)

CHICAGO

US TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
March	84-30	85-10	84-21	85-00
June	83-28	84-06	83-20	83-31
Sept	82-30	83-08	82-24	83-02
Dec	82-08	82-14	82-01	82-09
March	81-11	81-20	81-09	81-19
June	80-22	80-31	80-22	80-31
Dec	79-16	79-27	79-18	79-29
March	79-06	79-12	79-05	79-16
June	78-25	79-01	78-25	79-05

US TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev
March	93.15	93.18	93.12	93.18
June	93.06	93.09	93.04	93.10
Sept	92.89	92.91	92.86	92.93
Dec	92.66	92.68	67.00	92.69
March	92.41	92.42	92.39	92.43
June	92.17	92.18	92.15	92.18
Sept	91.95	91.96	91.93	91.97
Dec	91.74	91.76	91.73	91.74

CERT. DEPOSIT (IMM) $1m points of 100%

	Latest	High	Low	Prev
March	92.49	92.50	92.48	92.52
June	92.35	—	92.37	92.38
Sept	92.14	—	—	92.18
Dec	91.88	—	—	91.92

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev
March	92.17	92.20	92.14	92.20
June	92.04	92.06	92.01	92.08
Sept	91.83	91.86	91.80	91.87
Dec	91.57	91.58	91.55	91.61
March	91.31	91.31	91.27	91.33
June	91.04	91.05	91.00	91.08
Sept	90.80	90.80	90.76	90.81
Dec	90.55	90.58	90.54	90.58

LONDON

10% NOTIONAL SHORT GILT £100,000 64ths of 100%

	Close	High	Low	Prev
March	95-56	95-63	95-54	96-05
June	96-09	—	—	96-22

Est. Volume 87 (65)
Previous day's open int. 797 (810).

LIFFE—EURODOLLAR OPTIONS $1m points of 100%

Strike price	Calls—Last March	June	Sept	Vol	Puts—Last March	June	Sept	Vol
90.00	2.20	2.07	—	—	—	0.01	—	—
90.50	1.70	1.59	—	—	—	0.03	—	—
91.00	1.21	1.13	1.04	—	0.01	0.07	0.19	—
91.50	0.74	0.73	0.69	—	0.04	0.17	0.34	—
92.00	0.34	0.41	0.40	—	0.14	0.35	0.55	—
92.50	0.10	0.18	0.21	50	0.40	0.62	0.86	—
93.00	0.02	0.06	0.09	—	0.82	1.00	1.24	—

Previous day's open int: Calls 2,013, Puts 2,136

LIFFE £/$ OPTIONS £25,000 (cents per £1)

Strike price	Calls—Last Jan	Feb	Mar	June	Sept	Puts—Last Jan	Feb	Mar	June	Sept
1.20	—	—	23.83	23.83	—	—	—	—	0.16	—
1.25	—	—	18.83	18.83	—	—	—	0.03	0.45	—
1.30	13.82	—	13.83	13.83	13.83	—	—	0.16	1.12	2.46
1.35	8.83	8.83	8.83	8.80	9.53	—	0.25	0.72	2.36	4.13
1.40	3.84	4.41	4.87	5.88	6.79	0.11	1.16	2.07	4.31	6.39
1.45	0.50	1.73	2.35	3.59	4.66	1.87	3.50	4.56	7.04	6.25
1.50	0.01	0.48	0.94	2.06	2.07	6.28	7.28	6.14	10.80	12.67

Estimated volume total: Calls 185, Puts 240
Previous day's open int: Calls 6,115, Puts 6,949

LONDON SE £/$ OPTIONS £12,500 (cents per £1)

Strike price	Calls—Last Jan	Feb	Mar	June	Sept	Puts—Last Jan	Feb	Mar	June	Sept
1.20	—	—	24.40	24.50	—	—	—	0.15	0.20	—
1.25	—	—	19.40	19.50	19.40	—	—	0.20	0.65	1.30
1.30	—	—	14.40	14.50	14.40	—	—	0.30	1.10	2.30
1.35	5.40	5.40	5.40	9.70	10.40	0.10	0.30	0.85	2.20	3.80
1.40	4.40	4.60	5.40	6.50	7.40	0.15	1.20	2.05	4.10	5.90
1.45	0.70	1.90	2.50	4.00	4.85	1.75	3.40	4.40	5.75	8.35
1.50	0.15	0.70	1.10	2.30	2.10	0.10	7.25	5.00	10.00	11.60

Previous day's open int: Calls 6,986, Puts 8,331. Volume: 28

PHILADELPHIA SE £/$ OPTIONS £12,500 (cents per £1)

Strike price	Calls—Last Jan	Feb	Mar	June	Sept	Puts—Last Jan	Feb	Mar	June	Sept
1.20	—	—	—	—	—	—	—	—	—	—
1.25	—	—	—	—	—	—	—	—	—	—
1.30	—	—	—	—	—	—	—	—	—	—
1.35	—	—	—	—	—	—	—	0.70	—	—
1.40	4.25	—	5.20	—	—	—	1.05	1.80	4.00	—
1.45	0.55	—	2.55	—	—	1.70	3.25	4.00	—	—
1.50	—	—	1.00	2.40	—	—	—	—	—	—

Previous day's open int: Calls 59,361, Puts 44,114
Volume (mid-day): Calls 206, Puts 548

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
March	110-11	110-20	110-06	110-24
June	110-26	111-00	110-29	111-08
Sept	111-04	—	—	111-16

Est. Volume 2,191 (1,287)
Previous day's open int. 4,039 (4,085)
Basis quote (clean cash price of 13½% Treasury 2004/08 less equivalent price of near futures contract) −4 to +2 (32nds).

THREE-MONTH STERLING £500,000 points of 100%

	Close	High	Low	Prev
March	88.34	88.38	88.34	88.38
June	88.76	88.79	88.75	88.80
Sept	89.00	89.03	89.00	89.05
Dec	89.05	89.07	89.04	89.03

Est. Volume 1,897 (1,231)
Previous day's open int. 7,112 (7,029).

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev
March	145.15	145.20	143.90	144.25

Est. Volume 189 (194)
Previous day's open int. 1,730 (1,752).

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
March	92.20	92.21	92.14	92.22
June	92.00	92.07	92.03	92.12
Sept	91.86	91.86	91.82	91.92
Dec	91.58	91.58	91.57	91.6?

Est. Volume 5,208 (1,792)
Previous day's open int. 17,502 (17,740).

U.S. TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev
March	85-06	85-09	84-22	85-03
June	84-01	—	—	84-02

Est. Volume 1,892 (2,151)
Previous day's open int. 2,950 (2,477).

EXCHANGE CROSS RATES

Jan 3	£	$	DM	YEN	F Fr.	S Fr.	N Fl.	Lira	C $	B Fr.
£	1.	1.439	3.543	291.5	10.87	2.975	4.00	2416.	2.011	72.6
$	0.695	1.	2.461	206.0	7.785	2.061	2.778	1678.	1.40	50.4
DM	0.282	0.406	1.	85.29	3.068	0.840	1.129	681.6	0.571	20.46
YEN	3.431	4.937	12.15	1000.	37.29	10.21	13.72	8283.	6.920	248.1
F Fr.	0.920	1.324	3.259	268.2	10.	2.737	3.680	[illegible]	1.857	66.76
S Fr.	0.336	0.484	1.101	97.98	3.654	1.	1.346	811.5	0.678	24.40
N Fl.	0.250	0.360	0.886	72.88	2.718	0.744	1.	603.6	0.502	18.11
Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C $	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B Fr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

MONEY MARKETS

No sign of change in London

Interest rates showed no sign of cbange in London last week, as tho pound held fairly steady on the foreign exchanges. Trading remained quiet because of the Christmas and New Year holidays, while tho pound failed to gaio ground against a depressed dollar, and tho US currency continued to suffor from wo6k US economic statistics.

Three-month sterling interbank was around 11¾ per cent, underpinning the present 11½ per cent of clearing bank hase rates, and suppressing any hopes of an early cut in London rates.

In New York and Frankfurt the mooey markets suffered from strains because of end-of-yoar and other pressures, leoding to a temporary rise in interest rates.

UK clearing banks base lending rate 11½ per cent since July 30

On December 31 the Federal funds overnight rate was 10 per cent when the Fedoral Reserve injected liquidity into tho hanking system through two-day system repurchase agreements. On Thursday and Friday further money was provided when the overnight rato was 8⅞ per cent.

Conditions wore temporarily tight because of ond-of-year and ed of two-week statement period for tho banks, but there was no sign of any permanont reduction in US rates, producing 6 cut in the Fedoral Reservo's discount rate, in spite of further depressing economic statistics.

In Frankfurt money market rates touched a peak of 6 per cent on end-of-year pressure, as banks were prepared to bid for funds to square their books. The Bundesbank injected somo DM 3hn before the New Year holiday in overnight money, and on Friday set o now two-tranche tender for 28 and 56-day securities repurchaso agreements at a minimum rate of 4.50 per cent.

NEW YORK (4 pm)

Prime rate	9½
Broker loan rate	9½-9¾
Fed funds	8¾
Fed funds at intervention	7⅞
Treasury Bills & Bonds	
One month	2.64
Two month	6.67
Three month	7.28
Six month	7.49
One year	7.64
Two year	8.03
Three year	6.27
Four year	8.41
Five year	8.53
Seven year	6.93
10 year	9.05
30 year	2.28

BANK OF ENGLAND TREASURY BILL TENDER

	Jan. 3	Dec. 27		Jan. 3	Dec. 27
Bills on offer	£100m	£100m	Top Accepted rate of discount	11.2508%	11.1907%
Total of applications	£371.145m	£425m	Average rate of discount	11.2092%	11.1668%
Total allocated	£100m	£100m	Average yield	11.55%	11.49%
Minimum accepted bid	£97.20	£97.21	Amount on offer at next tender	£100m	£100m
Allotment at minimum level	18%	19%			

WEEKLY CHANGE IN WORLD INTEREST RATES

	Jan. 3	change		Jan. 3	change
LONDON			**NEW YORK**		
Base rates	11½	Unch'd	Prime rates	9½	Unch'd
7 day interbank	11¼	+⅛	Federal funds	8⅝	+½
3mth interbank	11⅞	−⅛	3 Mth. Treasury Bills	7.30	+0.11
Treasury Bill Tender	11.2092	+0.0430	6 Mth. Treasury Bills	7.46	+0.13
Band 1 Bills	11⅛	Unch'd	3 Mth. CD	7.85	−0.02
Band 2 Bills	11⅞	Unch'd			
Band 3 Bills	11¼	Unch'd	**FRANKFURT**		
Band 4 Bills	11⅛	Unch'd	Lombard	0.0	Unch'd
3 Mth. Treasury Bills	[illegible]	[illegible]	One Mth. Interbank	[illegible]	[illegible]
1 Mth. Bank Bills	[illegible]	[illegible]	Three month	[illegible]	[illegible]
3 Mth. Bank Bills	[illegible]	[illegible]			
TOKYO			**PARIS**		
One month Bills	[illegible]	[illegible]	Intervention Rate	[illegible]	[illegible]
Three month Bills	[illegible]	[illegible]	One Mth. Interbank	[illegible]	[illegible]
			Three month	[illegible]	[illegible]
BRUSSELS			**MILAN**		
One month	[illegible]	[illegible]	One month	[illegible]	[illegible]
Three month	[illegible]	[illegible]	Three month	[illegible]	[illegible]
AMSTERDAM			**DUBLIN**		
One month	[illegible]	[illegible]	One month	[illegible]	[illegible]
Three month	[illegible]	[illegible]	Three month	[illegible]	[illegible]

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, band 3 bills 34 to 63 days and band 4 bills 64 to 91 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market and their respective changes during the week.

FT LONDON INTERBANK FIXING

(11.00 a.m. Jan. 3) Three months U.S. dollars		Six months U.S. dollars	
bid 7 15/16	offer 8 1/16	bid 7 15/16	offer 8 1/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

Jan. 3	Over night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Author'y Bonds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Mkt Depos.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Company Depos.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finance House Depos.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dollar CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Depos.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Depos.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell): one-month 11⅛ per cent; three-months 11⅛ per cent. Bank Bills (sell): one-month 11⅛ per cent; three-months 11⅛ per cent. Treasury Bills: Average tender rate of discount 11.2092 per cent. ECGD Fixed Finance Scheme IV reference rate November 6 to December 3 (inclusive): 11.612 per cent. Local authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 12 per cent from January 1 1986. Bank Deposit Rates for sums at seven days' notice 6.25-6.625 per cent (nil). Certificates of Tax Deposits (Series 6). Deposits £100,000 and over held under one month 11½ per cent; one-three months 11¾ per cent; three-six months 11¾ per cent; six-nine months 11 per cent; nine-12 months 11¾ per cent. Under £100,000 10⅝ per cent from December 12. Deposits held under Series 5 11⅝ per cent. Deposits withdrawn for cash 7⅝ per cent.

MONEY RATES

Jan. 6	Over-night	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amsterdam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Milan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

The Princess Alice Hospice

We care for the terminally ill of all denominations. We urgently need donations to assist us with our running costs of more than £400,000 p.a. We will be pleased to tell you how you can help us to care by covenants, donations, covenants etc.

The Princess Alice Hospice, ESHER, Surrey. Telephone: Esher 68511

NOTICE OF PREPAYMENT

THE KYOWA BANK, LIMITED
(Incorporated with Limited Liability in Japan)

U.S.$15,000,000

Floating Rate Certificates of Deposit

No. 000001-000030 issued on 11th February, 1982
Maturity 17th February, 1987. Callable in February, 1986

Notice is hereby given in accordance with the conditions of the above Certificates of Deposit (the "Certificates") as printed on the reverse of the Certificates that The Kyowa Bank, Limited (the "Bank") will prepay all the outstanding Certificates on 14th February, 1986 (the "Prepayment Date"), at their principal amount.

Payment of the principal amount, together with accrued interest to the Prepayment Date, will be made on the Prepayment Date against presentation and surrender of the Certificates at the London Branch of The Kyowa Bank, Limited, Princes House, 93-95 Gresham Street, London EC2V 7NA.

Interest will cease to accrue on the Certificates on the Prepayment Date.

By: Morgan Guaranty Trust Co. of New York, Agent Bank
6th January, 1986

Standard Chartered

Standard Chartered PLC

US$400,000,000 Undated Primary Capital Floating Rate Notes

In accordance with the provisions of the Notes, notice is hereby given that the next Interest Determination Period will run from 3rd January 1986 to 3rd July 1986. This Interest Determination Period is also the Residual Period (as defined) and the Notes will carry interest at the rate of 8⅛ per cent. per annum.

Interest payable on 3rd July, 1986 will amount to US$408.51 per US$10,000 Note and US$4085.07 per US$100,000 Note.

Standard Chartered Merchant Bank Limited
Agent Bank

This advertisement complies with the requirements of the Council of The Stock Exchange.

U.S. $150,000,000

Export Development Corporation
(An agent of Her Majesty in right of Canada)

Société pour l'expansion des exportations
(Mandataire de Sa Majesté du chef du Canada)

8¾% Notes Due January 1, 1991

A syndicate managed by the following has agreed to subscribe for the Notes:

Salomon Brothers Inc — Wood Gundy Corp.
Merrill Lynch Capital Markets — Dominion Securities Pitfield Inc.

Application has been made to the Council of The Stock Exchange for the Notes, issued at 99.558 per cent, to be admitted to the Official List.

Interest on the Notes will be payable semi-annually on January 1 and July 1 beginning July 1, 1986. The Notes will not be redeemable prior to maturity.

Details of the Notes and Export Development Corporation, in the form of an Extel card, are available in the Extel Statistical Service and copies may be obtained during usual business hours up to and including January 8, 1986 from the Company Announcements Office of The Stock Exchange and up to and including January 20, 1986 from:—

Bank of Montreal, 9 Queen Victoria Street, London EC4N 4XN
R. Nivison & Co., 25 Austin Friars, London EC2N 2JB

January 6, 1986

This announcement appears as a matter of record only.

LAURA EN VEREENIGING
a majority owned subsidiary of

SOCIÉTÉ GÉNÉRALE DE BELGIQUE
Brussels, Belgium

has acquired a minority interest in

"AMSTERDAM RUBBER"
(RCMA N.V.)
Amsterdam, The Netherlands

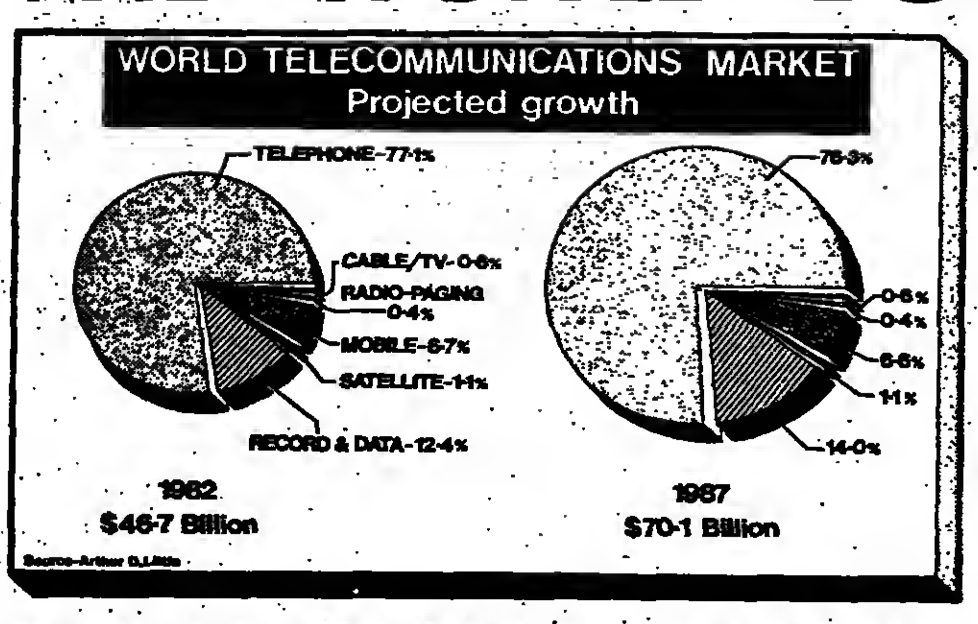
through the purchase of 1,375,000 shares

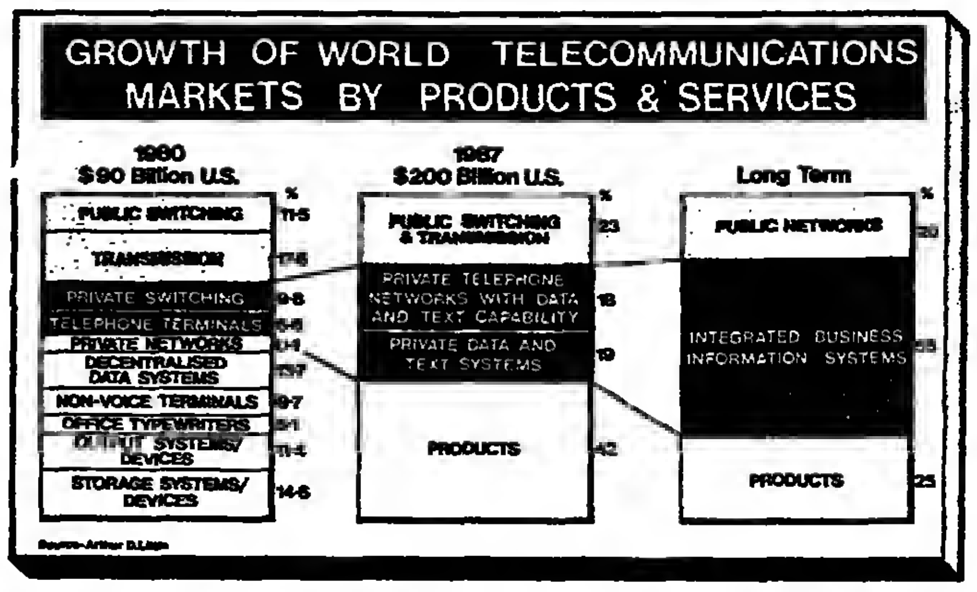
The undersigned initiated the transaction and acted as financial adviser to LAURA EN VEREENIGING and SOCIÉTÉ GÉNÉRALE DE BELGIQUE.

AMSTERDAM-ROTTERDAM BANK N.V.

Communications
THE WORLD BUSINESS MARKET

Today's computing and communications technologies are rapidly converging to open up a vast array of fresh opportunities for users and suppliers of telecommunications systems. The economic impact of this technological revolution is only just starting to emerge.





Era of massive upheavals

By GUY DE JONQUIERES

'CREATIVE DESTRUCTION' was the term coined by Joseph Schumpeter, the Austrian economist, to describe the process of industrial change unleashed by technological innovation. It applies with particular force to the state of the world telecommunications industry today.

After a century of stable and predictablo development, telecommunications is being riven by massive upheavals which are simultaneonsly shaking established institutional and industrial structures to their foundations and opening up a kaleidoscopic array of new opportunities.

At the heart of this process lies the convergence — perhaps collision would be a better word — of computing and communications technologies. For all practical purposes, the most advanced communications networks today are vast interconnected computer systems controlled by sophisticated software and carrying streams of digitised information.

The practical implications of this technological change go well beyond the compnting and communications industries. Efficient management of information is already a vital competitive tool in an increasingly wide range of industries. On Wall Street, for example, the telecommunications budgets of many major financial services firms are their second largest item of annual spending after staff costs.

In manufacturing, General Motors, the world's largest car company, believes technologically advanced communications is so important that it has paid $2.5bn to acquire Electronic Deta Systems, which is reequipping GM'e internal data network at a cost of several hundred million dollars more. The programme, when completed, is expected to give GM the largest and most modern communications system in the world after AT&T.

The power of modern communications is also fast demolishing the frontiers between hitherto separate industries, lowering the barriers to ontry by new competitors. The emergence of multi-capacity financial conglomerates ahead of tho planned deregulation of the City of London is made possible by the fact that so many types of financial transaction can now be conducted on the same olectronic information highways.

This trend is, for example, also leading Reuters, the electronic business information company, to develop as a provider of financial trading networks. The potential versatility of such services both points to the emergence of truly global 24-hour trading systems and raises ewkward questions about the regulatory roles and functions of Stock Exchanges as traditionally defined.

At the same time, telephone companies such as the Bell regional groups in the US and British Telecom are fast expanding beyond their previous markets to offer a growing variety of "value added" services which combine communications and computer processing to serve business needs.

The impact of the technological revolution in telecommunications is, in a very real sense, turning it into everybodv's business. The full extent of the economic and policy consequences of this transformation is only now starting to emerge.

Challenge to monopolies

It is becoming increasingly clear that the monopoly systems which have traditionally governed telecommunications almost everywhere are under challenge. As the borderline between communications and computers disappears and a vast array of new services proliferates, the necessity—indeed, the possibility—of maintaining "neutral" monopolies grows increasingly questionable.

The US, Britain and Japan have all decided that the old order was simply becoming too onerous and was constricting, instead of stimulating, innovation and growth. In the past five years, all three countries have, to differing degrees, thrown their national markets open to competition.

Elsewhere, and particularly in Continental Europe, the monopoly principle remains more solidly entrenched—but is coming under mounting pressure. Several European countries, including France, West Germany and the Netherlands, are currently debating policy changes.

In many of these cases, however, the emphasis is less on increased competition than on giving greater commercial freedom to their monopoly network carriers by distancing them from government control. For governments in need of new sources of revenne, the UK's sale of shares in British Telecom to private investors has undoubted appeal.

The UK experience shows, however, that privatisation and market liberalisation are by no means identical. Indeed, they have already shown that they can severely conflict, forcing awkward policy choices between BT's customers, its shareholders—and its traditional suppliers.

Apart from this confusion, countries everywhere face e formidable challengo trying to define new policies for e rapidly changing world. As e report hy the International Institute of Communications observed last year: "Policymakers are confronted with the task of refereeing e game that has rules that are in constant flux."

New alliances forming

This task has proven no less difficult in those countries which believed that the introduction of competition would make official regulation largely obsolete. The complexity of the government regulatory system in the US, and the amount of activity which it generates, has certainly grown no smaller since the decision was taken to deregulate the telecommunications market.

The central problem facing regulators such as the US Federal Communications Commission (FCC) is that in order to make competition work, they are repeetedly forced to intervene to change the rules. In spite of the hreak-up of AT & T, the company end its former regional subsidiaries remain dominant in their traditional markets.

The challenge for policy is to keep these markets open enough to allow smaller competitors to flourish, while avoiding the imposition on the dominant players of constraints so severe that their capacity to compete is not unfairly impeded. This is not proving an easy halance to strike, as is clear from the successive shifts and reverses in FCC policy in the past few years.

In parallel, telecommunications supplier industries are also struggling to adapt to radical change. Loss of captive markets dne to deregulation, the mounting costs of developing new products and the eccelerating cycle of innovation are intensifying competition to seek out new markets worldwide.

Compenies from other industries, such es IBM, the world's largest computer menufecturer, are entering the market. Longstanding customers, such as AT&T's former regional companies and BT, are devoloping as competitors, and a wide range of corporate alliances is being formed.

The opening up of the US equipment market, due to tha break-up of AT&T, hes created almost overnight a wealth of new commercial opportunities for both American and foreign suppliers. But competition is growing intense and whittling away the profit margins on many prodncts.

Europe is more vulnerable to these upheavals than either the US or Japan. Its leading telecommunications manufacturers are finding it increasingly difficult to survive on the basis of home markets which fail to provide the economies of produc-

CONTINUED ON PAGE 8

IN THIS SURVEY

The US industry changes shape	2
The US equipment market	2
Impact of change on US business users	4
US long-distance telephone service battle	4
Regional telephone companies in the US	4
Office automation	4
Pressures mount on European equipment-makers	5
Britain sets the pace in policy reforms	5
New developments in telecommunications industries in the UK, France, West Germany, Italy, Spain, Netherlands, the Nordic nations and Ireland	5-7
Japan: tha impact of deregulation	6
The Japanese telecommunications industry	6
The growth of mobile communications	8
Value-added networks	8

As the US telecommunications battle intensifies, AT & T and IBM are forging links with other American and foreign partners, as **PAUL TAYLOR** reports from New York.

US giants form fresh alliances

SIX MONTHS ago International Business Machines (IBM) the world's largest computer-maker, stunned Wall Street by announcing that it planned to fold its loss-making Satellite Business Systems (SBS) into MCI Communications, American Telephone and Telegraph's (AT & T) chief rival in the US long-distance telephone market.

In the process IBM said it would take an initial 18 per cent equity stake in MCI and might raise this to a maximum of 30 per cent through the investment of up to an additional $400m. IBM's acquisition of a minority stake in MCI, which has $2.5bn in annual revenues, an expanding 3.2m customer base and growing 9 per cent market share, came hard on the heels of the computer giant's $1.26bn acquisition of Rolm, a leading West Coast PBX manufacturer in 1984.

Predictions

Few additional details have emerged on the IBM/MCI link since it was first announced in June—or on how MCI and IBM plan to accommodate their strikingly different corporate cultures. Most analysts agree that IBM's deep pockets, management skills and marketing might will help feisty MCI—which made its reputation snapping at the heels of AT & T—in the continuing long-distance telephone battle, further intensifying competition.

But some industry experts also argue that the deal represents something of an admission of defeat by "Big Blue." SBS, originally a joint venture between IBM, Aetna and Comsat, aimed at providing business customers with advanced data and voice communications services, misread the market and was forced to switch to the more mundane and fiercely competitive business of offering cut-price telephone service to individuals.

Even then, despite pumping more than $1.3bn into the project, SBS managed to garner less than 1 per cent of the long-distance telephone market, lost an estimated $114m on revenues of $290m in 1984 and was not expected to break-even until 1987 at the earliest.

Thus, some industry experts such as Prof Eli Noam of Columbia University see the MCI deal as a "defensive move" by IBM and an admittance that it may not yet have the expertise to run a telecommunications business.

"In my opinion it represents a partial withdrawal by IBM from the long-distance field," says Prof Noam.

Nevertheless, the move, symbolic of the dramatic upheaval underway in the US telecommunications industry, was immediately seized upon by AT & T as evidence that the era of full-blooded competition had finally arrived and that AT & T's telecommunications business should be fully deregulated.

Mr Charles Brown, AT & T's chairman and chief executive, told shareholders, "some say our competitors in the long-distance business are not yet strong enough to go it on their own. Looking at the size and resources of such competitors as GTE, ITT and dozens of others makes that viewpoint hardly credible. The announcement of the ownership link between IBM and MCI—two formidable competitors of AT & T—should put that myth to rest once and for all."

Whether it will is another question, one perhaps best left to the regulators in Washington. But in the wake of the IBM/MCI deal the US Federal Communications Commission (FCC) has taken a number of key decisions in AT & T's favour—often despite the fierce protests of other common carriers who have been urging FCC restraint in the deregulation process.

Among these the FCC voted in September to remove one of the most serious restrictions over AT & T, the so-called computer inquiry 2 requirement that AT & T separate its unregulated equipment business from its regulated long distance telephone service. That decision, which AT & T says could save it $1bn a year, means AT & T can now bundle together its telecommunications equipment and services under one marketing umbrella—as MCI and IBM will presumably try to do.

How successful AT & T will be in competing in this newly-deregulated environment has yet to be decisively proven. Like IBM, the telecommunications giant, it has suffered some setbacks in its early attempts to move outside of familiar territory. For example, although AT & T claims sales of its basic line of personal computers are now picking up after a slow start, its latest personal computer system runs not only its in-house-developed Unix operating system, but also software designed for IBM's competing and market-dominant operating system.

Mr Brown says the switch "demonstrates we are moving aggressively to meet market-place needs," but many computer industry analysts suggest it more reflects the fact that there was little software around to support AT & T Unix machines. They add that in order to break into the computer market in more than a token way AT & T will have to rapidly expand its product line.

In fact both AT & T and IBM have faced problems breaking into unfamiliar markets like data communications in which both companies have attempted to establish nationwide computer networks providing computer-to-computer communications in competition with companies such as General Electric Information Services and Control Data. Similarly, both companies have been outpaced by smaller rivals in the telephone modem equipment market.

Estimates

Part of the problem for both AT & T and IBM is that the convergence of computers and telephones, although happening, has taken longer than expected. For example, by most estimates data communications still only accounts for about $5bn of the $50bn US long-distance telephone market. At the same time AT & T and IBM have discovered that marketing a wide range of telephone systems and service and computers requires special skills and poses difficult challenges.

In an attempt to bridge some of these gaps AT & T and IBM have both turned to domestic, and increasingly, to foreign partners. In Japan and Europe, both companies are forging links with local telecommunications and computer groups. For example AT & T has teamed up with Misui in Japan to offer data communications services while IBM has forged links with Mitsubishi. In Italy, IBM has an alliance with Stet, the state-owned telephone equipment company, while AT & T has bought an equity stake in Olivetti which manufactures some of its personal computer systems.

But this trend towards international partnerships—and competition—is not confined to AT & T and IBM alone. Almost all the regional Bell holding companies are attempting to sell their telecommunications expertise overseas—part of a wave of diversification and acquisitions by the seven regional holding companies which itself threatens to challenge some of the basic tenets of the Bell system break up.

At the same time new competition is changing the shape of international telephone service. MCI, GTE Sprint and other long-distance carriers have dramatically expanded their international services over the past 18 months—challenging AT & T's dominance of the market and forcing the telecommunications giant to begin cutting its own rates. Last month, for example, AT & T proposed reducing call prices to 32 countries by an average of 10.1 per cent in a move that it said would save its customers $150m a year.

Some of the biggest post Bell break-up changes are taking place in the US telecommunications equipment market—worth an estimated $60bn a year or about 40 per cent of the world total where the divestiture agreement freed the Bell operating companies for the first time to make their own equipment purchasing decisions.

This, coupled with mandated changes in local telephone access arrangements and the increasingly real threat that major business clients will build their own systems to bypass local telephone services altogether has spurred a wave of capital spending by both the long-distance carriers and the 22 Bell operating companies.

For example, Ameritech, the Chicago-based regional holding company, said last month that it plans to spend nearly $2bn this year to expand and improve its midwest telecommunications services. The huge capital spending plan, which includes expanding Ameritech's fiber optic cable network by 56 per cent to more than 120,000 miles and doubling the number of digital switching systems to 255, is part of a $5.7bn capital investment plan undertaken by the company between 1984 and 1986.

As a result, Ameritech says that by the autumn this year 75 per cent of its 14.5m customer lines will be equipped to deal with direct access—up from 55 per cent today. The pace of technological change is also accelerating. Ameritech's Illinois Bell unit will conduct the nation's first trial of an integrated services digital network (ISDN), which allows simultaneous voice and data transmission over ordinary telephone lines, this year.

Challenges

This dynamic environment is providing challenges and opportunities for the equipment manufacturers. In the $3.2bn US market for public network switching systems, currently dominated by AT & T and Canada's Northern Telecom; other competitors including Japanese and European manufacturers are scrambling to grab a share of the market and adapt their systems to US standards.

With the key digital switch battle now raging between Northern Telecom with its DMS 100/200 Switch and AT & T's 5ESS Switch, other suppliers are having mixed success. Among them are ITT, whose System 12 digital switch has proved successful outside the US, but which is still struggling to win an order from a Bell operating company, Gte, Ericsson of Sweden, Siemens of West Germany, Plessey of the UK and CIT/Alcatel of France and NEC of Japan.

Here, too, new strategic international alliances are being forged. For example, Gte, whose flagship product is the Gte-5 EAX digital switch, is currently involved in negotiations with Siemens of West Germany and AT & T itself is attempting to win French Government approval for an alliance with France's state-owned Compagnie General D'Electricite to compliment its 1982 joint venture agreement with the Dutch Philips group.

Fierce competition as new markets emerge

In the US, advances in communications technology are creating uncertainties among the equipment-makers, as **Louise Kehoe** reports.

THE FERMENT of divestiture continues to dominate the US communications equipment industry. While the break-up of AT&T created new opportunities for many equipment suppliers, competition to take advantage of new markets has been severe.

Further regulatory changes that may allow AT&T to combine its marketing efforts for end-user communications and computer equipment along with normal long-distance services are expected to create more uncertainty among competitors and customers.

The major equipment trends in telecommunications include the rapid spread of digital technology, use of fibre optics transmission, the growth of special data transmission services and private networks.

In the long-distance digital communications business, the equipment market has been directly impacted by regulatory uncertainty. Long-distance carriers' demand for equipment has been sparodic recently because of financial difficulties at many of the resellers and decreases in spending by Sprint and MCI. However, some equipment sectors, such as fibre optics, are growing.

The divestiture of local telephone companies from AT&T created a bonanza for suppliers of network modernisation equipment such as digital switching and various transmission products. These markets are now becoming increasingly competitive, however, and growth is expected to slow significantly next year.

New markets are, however, emerging. Large US companies are beginning to turn to private satellite networks as a low cost alternative to the public telephone network. According to a recent study by analysts at L. F. Rothschild, Unterberg, Towbin in San Francisco, the market for these so-called "very small aperture terminal" networks is currently worth only about $15m, but will approach $1bn by the end of this decade.

In the customer premise equipment sector, competition has been rife over the past year. Pricing of private branch exchanges (PBXs) has been particularly aggressive with market growth slowing down and over 25 companies competing for a share of the business. In addition, AT&T has been actively trying to regain market share and "giving away" equipment, competitors claim.

A new generation of PBXs which incorporate both voice and data communications is emerging. Along with voice/data terminals these systems signal the convergence of telecommunications and office automation equipment with desk-top devices that combine the roles of the personal computer and telephone connected to voice/data networks.

"Voice processing," the use of computers to digitise, store and deliver the spoken word, has become a rich new sector of the communications equipment market over the past few years.

According to market researchers, US sales of voice messaging systems will grow from approximately $150m this year to as much as $1bn by 1990.

In the data communications sector, which has historically grown at rates in excess of 35 per cent per year, equipment sales trends have been mixed, depending upon the changing fortunes of different segments of the computer industry.

The personal computer boom may be running out of speed in the US, but for communications equipment suppliers it has only just begun. Local area networks represent one of the most promising categories of communications equipment in the year ahead, according to market analysts.

To date, only about four per cent of the millions of personal computers used in office and factory applications are linked to networks. Demand has, however, been brewing and the recent announcement by IBM of its token-ring local area network will bring the market to the boil, suppliers hope.

The IBM local area network establishes a standard which is expected to be adopted by numerous computer and office equipment manufacturers. The use of one standard system facilitates interconnection between different brands and types of equipment.

Dataquest, the San Jose, California, market research company, lists local area networks as one of the fastest-growing segments of the communications equipment market during the next few years. According to dataquest, the LAN market totalled just $140m in 1983, but reached $1bn this year and will grow at an average 27 per cent per year to total $2.5bn by 1989.

Sales of modems, which are used to connect computers to telephone lines, are also increasing as more personal computer users need to connect their machines to databases, mainframe computers and each other. In the microcomputer area, the US market totals about $600m and will grow to about $14m by 1990, says Michael Murphy of Venture Capital Management in San Francisco.

The US equipment market

Amounts in $bn

	1985	1989	Compound annual growth rate %
Customer premises equipment	13.7	22.0	12.5
Terminal equipment	2.8	4.1	9.8
Data communications equipment	2.3	4.6	19.2
Local area networks	1.0	2.5	26.9
Business communication systems	6.4	7.6	4.2
Data PBXs	0.15	0.23	11.8
Automatic call distributors	0.4	1.1	33.7
Attached network functions	0.7	1.8	25.8
Switching equipment	3.1	3.3	1.2
Central office switching equipment	2.4	2.0	−4.7
Private branch exchanges	3.4	4.5	7.7
Transmission equipment	3.3	5.2	11.9

Source: Dataquest, San Jose, California.

Business network planning: new products and services make international business communications more economical and efficient, as **Dennis Conroy** and **John Collings** report.

Choice for users grows ever-wider

AS MANY countries have liberalised the supply of telecom equipment and services, companies have faced an unfamiliar and often bewildering range of choice. The situation is particularly complex for companies running international networks because of the different rates of liberalisation in different countries.

Even for the smaller company, new products and services are, however, offering opportunities not only for doing international business more cheaply or efficiently, but even for doing new kinds of business and extending market-reach.

Some examples of new applications are provided by facsimile transmission (fax) and access to the telex network from the Prestel (videotex) service in the UK.

To some extent fax has to be viewed in terms of its cost-effectiveness as a substitute for telex, post, telephone calls and courier services. However, exploiting the potential of fax has given some companies an important competitive edge—for example, an English law firm uses fax to get court orders to their US operation for action within hours of issue by UK courts.

Advantages

In the case of Prestel access to telex, the opportunity now exists for small businesses to send and receive telexes by purchasing a low cost TV adapter. This has enabled a small specialist advisory company, operating internationally from the founder's home, to use telex on a regular basis. This has particular advantages in dealing with countries in time zones that make communication by telephone difficult.

While coping with this widening choice of equipment and services represents a real challenge to the small business users of international telecommunications, it also represents real opportunity to exploit available options to minimise cost.

At its simplest this may just mean ensuring that most traffic between two countries originates at the end which has lower international call rates. For example, when calling from high cost countries in Europe, users can enjoy significant savings by expediently calling into a country like the UK, which has relatively lower calling rates, and asking the respondent to call back.

Relatively small users of international telecommunications to a particular destination may achieve savings by renting a dedicated line—any company calling between UK and US designations for around 1½ hours per day should look carefully at this option.

Companies that increasingly employ sophisticated applications of telecommunications on a global scale as a key competitive tool face a problem of great complexity in determining the structure and "mix" of their networks.

First, network structure will be driven by the logic of the geographic locations and volumes of the company's activities. This then has to be modified to take account of variations in the speed and quality of services available in different countries, the levels and structures of charges, restrictions on use of private networks and their link to public switched networks and the availability of supporting equipment and services.

These considerations have led one leading firm of money brokers to switch traffic between its two Far East offices in London, using circuits leased from British Telecom.

Large multinationals are increasingly flexible and mobile with regard to the location of telecommunications-intensive functions. They will locate them where the economics and service availability are most attractive—now and longer-term.

A leading international airline recently moved its main European reservations communications centre from one European capital to another. This willingness and ability to move and reconfigure heightens the competition among telephone companies for serving multinational companies.

Thus, the pressure is on even those telephone companies with the most entrenched domestic monopolies. One US multinational high technology manufacturing company, which uses telecommunications to co-ordinate and control its operations worldwide, has threatened to pull out of a facility in a European development area unless the quality and availability of advanced telecommunications services improve.

Manufacturers Hanover Trust (MHT), the New York-based commercial banking giant, now has one of the most sophisticated, widespread telecommunications networks in the world. MHT invested more than $55m during the past 10 years to develop an integrated, *private* packet switching network (called Geonet) connecting all of its bank branches and more than 6,000 large customers of its correspondent banking services in 45 cities and 66 countries.

While MHT relies on a number of telephone companies, the bank designed Geonet, controls it, and keeps it running 24 hours a day.

Flexibility

MHT certainly has the scale, clout and, probably the technical flexibility to deploy network links and circuits based not only on physical concentrations of business activity but equally (in some cases) on telecommunications service availability, responsiveness and rates.

Private networks such as GEONET are taking on increasing strategic significance to their owners. As such, they are unlikely to decline in number. Nonetheless, they truly are hybrids of private equipment and intelligence, and public (telephone company) facilities and circuits.

The challenge for telephone companies is to retain a balanced and beneficial mix of the two. After all, users do not want to be telephone companies, but they will seek out or create viable alternatives to what they view as unsatisfactory service options.

For example, in the US today, close to 20 "teleports" are operative or nearing completion. The largest and arguably the most threatening to a telephone company is New York's Teleport. Supported financially mainly by Merrill Lynch, the Teleport offers New York-based companies high-speed, fixed-rate communication linkages over fibre optic cable to satellite-based domestic and international long-distance services.

Teleport bypasses the telephone company to offer users local access to a dozen or more options for long distance voice, data and video transmission services.

Many multinational users complain about the extent to which they, rather than the telephone companies, must project-manage the design and installation of international networks.

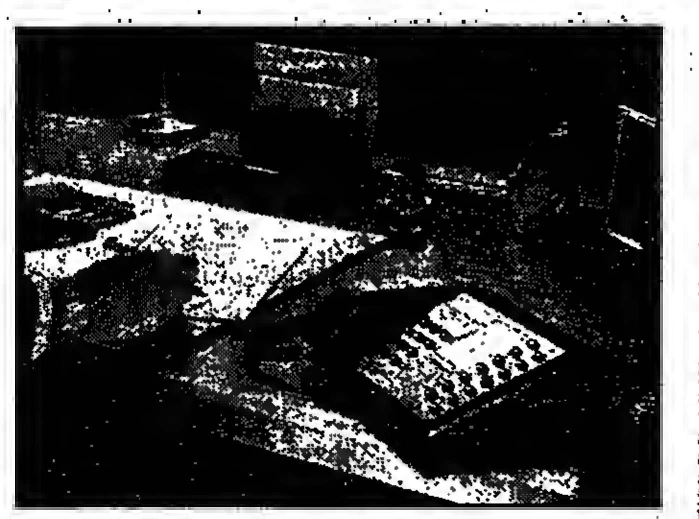
These companies negotiate country-by-country to procure needed services—a timely and costly process that complicates network planning and encourages users to do more for themselves.

Similarly, the extent to which variations in the telecommunications environments in different countries leads to networks that depart from physical topological logic provides a cost motivation for users to do as much for themselves as possible.

Moreover, these large worldwide users feel compelled to assume as much control as they can when telephone companies appear unresponsive to user needs for worldwide integration, flexibility to adapt to business shifts, security, and round-the-clock network availability.

Telephone companies thus need to work more actively and closely together to develop standards and working relationships to aid users in knitting together and controlling global networks. More help from the telephone companies might convince users to do less for themselves and that means more involvement and revenue for the telephone companies.

Dennis J. Conroy is a partner with Coopers & Lybrand, New York; John R. Collings is associate director of Coopers & Lybrand Associates, London.



The new SDX digital key telephone system from Stantel, the name under which STC Telecommunications operates in the US market. The SDX "family" is a port-orientated system ranging from 20 to 60 ports.

Cost remains critical factor

New telecommunications services: the world's telecom administrations are investing heavily in converting their traditional analogue networks to handle the digital language of the computer, as **Bob Raggett** reports here.

LESS THAN 20 years ago, users of telecommunications equipment and systems, particularly those in the business sector, were looking desperately for technology both to improve existing services and to provide new facilities.

Today, as a result of major technological advances and the gradual erosion of traditional regulatory constraints, that situation has almost totally reversed. Merging microprocessor-based telecommunications and computing technology, in a myriad of forms, is searching for markets. Flood has followed drought leaving many users confused and bewildered, governments unsure how far they should go in releasing their regulatory hold, and equipment manufacturers grappling with the problems of intense competition and an urgent need to fundamentally change their traditional marketing efforts.

The catalyst is this dramatic technology change is the silicon chip. It is now possible to put nearly 1m electronic components on a one-square-centimetre chip of silicon and, although it is getting increasingly more difficult, researchers see no reason why the density should not continue to double every 18 months for the next ten to 20 years.

These miniature, high speed circuits form the basis of equipment which enables telecommunications and the newer information technology systems to use the digital language of the computer.

Digital technology allows all forms of information — voice, data, moving pictures and so on — to be converted into a common binary code and sent in a bit stream from one subscriber to another over the existing telephone or other specialist networks.

The world's telecommunications administrations are investing heavily in converting their traditional analogue networks to handle digital communication. All these administrations are all moving towards the ultimate goal of a fully integrated services digital network (ISDN) which will carry all modes of communication quickly and efficiently with the same full world-wide subscriber-to-subscriber access that we now enjoy with the telephone.

Everyone agrees that the days of the plain old telephone are numbered, but there are many different opinions about what is actually going to replace it and, equally important, when.

The speed of market acceptance of new technology always appears slower than initial predictions. In the early 1970s, for example, there were confident forecasts of a massive growth in data communications requiring the introduction of large public data networks.

Today, while some dedicated networks have been introduced, even their most enthusiastic supporters would have to admit that they are still very small and not growing at the rates originally predicted.

Similarly, although it is now beginning to make some progress in the business market area, for example, the UK's innovative Prestel Videotex system failed to arouse mass market interest as was predicted by its promoters. There are so far 62,000 terminals attached to the Prestel network.

The key to future market acceptance of new services will be cost. Users seem prepared to try almost anything, provided it can be cost-justified.

This may involve the manufacturers or service supplier actually giving the hardware associated with a new service free of charge to subscribers, relying on the use of that service to quickly recoup the cost of doing so. It is a marketing ploy used with some success by the French in establishing its Videotex service, a marketing method best described as the early Kodak principle in which cameras were sold below cost, the "loss" being more than recouped later by the sale of film and on film processing.

In spite of the arrival of the many new services, voice communication is expected to remain dominant into the next century. There will be numerous improvements with telephones becoming more sophisticated and with many user-features. Call set up times will be reduced to two or three seconds and the network will provide numerous facilities, such as user controlled diversion, ring back when free and conference calls.

New voice services are now becoming available such as the voice mailbox. This service enables a subscriber to ren ta "mailbox" at a network centre in which callers can leave messages for later retrieval by that subscriber.

The technology of cheap mass digital storage is also being applied to the provision of wide ranges of recorded information services, a recent example of which is British Telecom's new Ringo service which allows subscribers to participate in a telephone bingo game.

In the area of data communications, the most noticeable recent trend has been towards the use of higher data rates. Full duplex operation up to 9.6 kbits/s is now possible over the switched telephone network with dedicated circuit switched data networks for high transmission speeds.

A packet switched data service, in which customers launch addressed blocks of data into the network to be individually routed to their destination, has also been in operation in the UK since 1981. Network interworking options are available giving interworking, for example, with the Telex and telephone networks.

Liberalisation in the UK, in addition to stimulating competition in the national network between British Telecom and Mercury, has also resulted in the arrival of a large number of providers of Value Added Network Services (VANS) offering new services and facilities ranging from telemarketing to disaster recovery processes.

By the middle of this year the number of VAN service-providers had grown to about 150 with the number of operational or planned services estimated at about 600. Of these, the majority offer non-speech services and included on-line database access, telex bureaux and electronic mail.

In the speech area, the most common services offered are voice messaging and telemarketing. It is predicted that the UK will lead the European-wide take-off of VANS from 1986 with a growth rate of about 50 per cent per annum to 1990. The UK market is forecast to grow from about £210m this year to almost £1,400m by 1990.

Electronic funds transfer — providing point-of-sale credit, automatic cash dispensing and inter-bank transactions — is coming increasingly into use, as are new low-volume data services for telemetry, telecontrol and alarms which could, for example, be used by the gas and electricity utilities for domestic meter reading.

In the area of text transmission, Telex is expected to maintain its position as the most significant electronic mail service well into the next decade. The more sophisticated Telex service is now in operation in a number of countries and will eventually eclipse Telex and operate alongside high speed digital facsimile machines.

In addition to Videotex, a number of new visual communications services are becoming available such as interactive cable television and video-conferencing. In the longer-term, as new switched wideband services become available, the possibility of introducing a network conveying sound and vision at an acceptable cost could become feasible. Services such as home shopping, home banking and even the electronically-delivered newspaper have yet to make any significant impact.

In the area of mobile communication, cellular radio has made a major market impact. Possibilities remain to use the system for data communication and as a position location system. New versions of the traditional radio-paging system are now in service with facilities for sending a short verbal message, a text message displayed on an electronic display or a simple diagram reproduced by a dot matrix printer.

How quickly then will the market place accept the current profusion of new equipment and fledgling service offerings made possible by the latest chip, fibre optic and digital technologies? Despite the use of slick consumer-like sales brochures and with even sticker names, initials or acronyms, user reception has been very mixed.

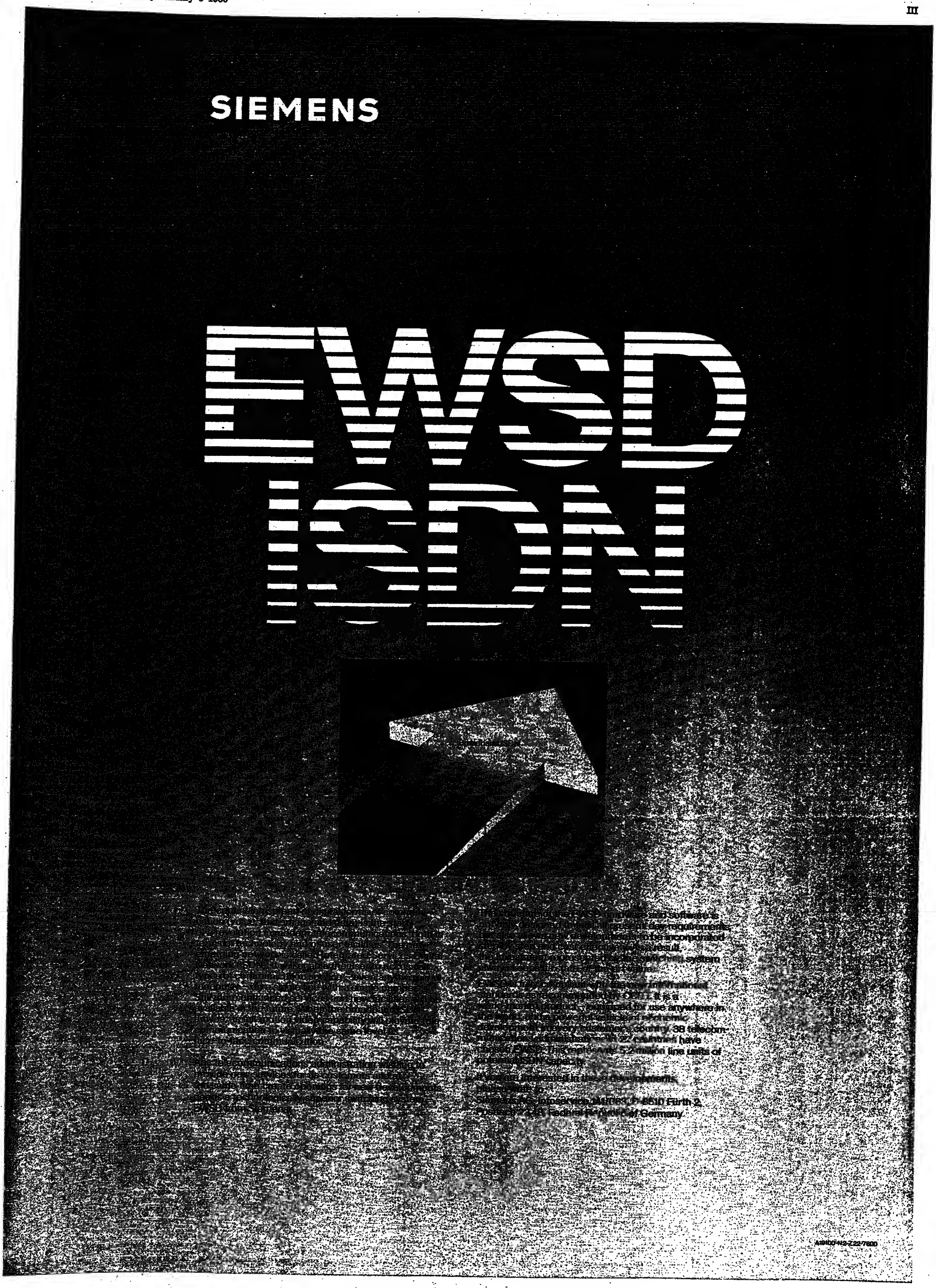
Recent research carried out for the British Government by the consultancy, PA International claimed that about 75 per cent of chief executives in the UK do not regard information technology as an issue which should concern or involve them.

On the positive side, some market areas, notably the travel industry, banks and other financial institutions, have made major investments in information technology systems. This investment is designed to give them a competitive advantage by streamlining their business operations and enabling them to offer new and improved services to their customers. But the overwhelming response from the majority of potential users of the new services has been less than enthusiastic, with the acronym ISDN, for example, said by some to mean "Innovations Subscribers Don't Need."

The challenge facing the equipment and service providers is to deliver on the promise of digital technology. That means providing more cost-effective, efficient and higher quality communications. Above all, it involves a significant departure from traditional industry marketing efforts and an ongoing dialogue between users, sellers and regulatory bodies.

Without it, Pandora's Box looms large.

هكذا من الأصل



US long-distance battle hots up

New contenders are entering the US long-distance telephone service market, bringing fierce competition on all fronts, reports Paul Taylor.

THE $50 bn-a-year US long-distance telephone market is in turmoil. The Bell System break-up has ushered in a period of intense price competition, structural change and regulatory upheaval.

American Telephone and Telegraph's long-distance unit, AT & T Communications, still dominates the market place, but its market share has slipped as MCI Communications—now bolstered by its strategic alliance with International Business Machines (IBM)—GTE Sprint and other cut-price common carriers have used technology, aggressive marketing and cost-advantage to grab a growing share of an expanding market.

Now some of AT & T's competitors, consumer lobbyists and Congressmen are questioning whether deregulation has gone too far too fast, while AT & T—whose long-distance telephone business is still closely regulated—argues forcibly that deregulation has lagged market realities and that it is being forced to fight a battle with one arm tied behind its back.

The long-distance market remains vital to the new AT & T. Despite new competition, AT & T Communications provides about half of AT & T's total revenues and over half its operating income.

The divestiture agreement set in motion a process designed to 'phase in "equal access" for long-distance telephone companies to local telephone networks, thereby creating a competitive "level playing field" and, in the process, fostering a closer relationship between customer service charges and costs.

Beginning last year, local telephone companies were required to provide the equipment necessary to allow all the long-distance telephone companies "equal access" to the local telephone network. By September this year the process is due to be almost completed.

At the same time the 90m telephone subscribers in the US are being asked for the first time to choose a long-distance carrier. This process has been dubbed "the great US telephone election campaign" and while the process has caused considerable customer confusion it has forced the long-distance telephone companies to undertake an advertising blitz as they scramble to retail, or expand, market share.

The long-distance competitors are spending an estimated $300m on marketing and promotion. AT & T accounts for about two-thirds of the total and is stressing service and reliability in an attempt to differentiate its product in what most industry experts agree is fast becoming a cut-throat commodity business. In contrast, AT & T's competitors are emphasising cost.

While the outcome of this marketing battle is still uncertain Wall Street analysts believe MCI and GTE's Sprint will manage to lift their market shares, currently around 8 and 6 per cent respectively, but that AT & T will manage to "hold its own in the equal access battle."

But the introduction of equal access is bringing about other dramatic industry changes including a wholesale cost restructuring of the US long-distance telephone market and the elimination of the historic subsidy of local service by long-distance calls. Until equal access is introduced nationwide, AT & T's competitors will still enjoy discounts of up to 55 per cent on the payments they make to local telephone companies to complete their customers' calls.

As equal access is introduced AT & T's payments to the local telephone companies are being reduced while the discount enjoyed by AT & T's competitors is being eliminated. From then on it will be a straight-forward battle for customers on the basis of product, cost and marketing.

In preparation all of the major long-distance companies are spending heavily on rebuilding, upgrading and expanding their systems because as access charges paid by AT & T and the other common carriers (OCCs) converge pricing flexibility—and therefore ability to increase market share—will depend largely on operating and capital costs. Both GTE and MCI invested about $1bn each in their networks last year. United Telecommunications, parent of US Telecom, another long-distance competitor, spent almost $596m on construction and plans to build a national fibre-optic cable network.

But these huge capital expenditures together with higher access payments and aggressive price competition have resulted in a dramatic profits squeeze at almost all the OCCs. For example, MCI's operating profits in the first nine months last year fell by 19.4 per cent to $57.5m and GTE's communications services group, which includes GTE Sprint, chalked up an operating loss of $190.8m in the first nine months last year (1984), compared to operating profits of $57.1m in the two-year period.

Mr Theodore Brophy, GTE's chairman and chief executive, told security analysts in New York in November that "results turned negative late in 1984 as the result of steeply increased access charges and other regulatory problems, as well as capacity constraints."

He added that although GTE has solved its capacity problems—which at one stage forced it to turn away new customers—GTE Sprint's losses this year could be higher.

These pressures have led GTE and some of the other OCCs to mount a determined lobbying campaign in Washington to persuade the US Federal Communications Commission (FCC) and Congress to slow down some aspects of the deregulation process—particularly the reduction in OCC access charge discounts—and change what GTE's Brophy describes as the FCC's "transition policies which are heavily biased towards AT & T."

Mr Brophy told congressional investigators in September that "recently the FCC seems to have backed away from its proper role by ignoring serious problems which have arisen in the transition process and adopting a policy of deregulation regardless of the state of long-distance competition. Such actions inevitably will impede the development of an effective market place."

But AT & T has hit back hard charging that its competitors are "large, financially strong and growing," and that, in the words of Mr Charles Brown, AT & T's chairman, "the plain fact is that AT & T's competitors do not want AT & T to compete freely with them. Rather, they want more handicaps put on AT & T, and more subsidies for themselves. In short, they want protection from competition."

US long distance telephone service

Company	1984 revenue $m	9 months '85 rev. $m	Customers m	1984 market share %
A T & T	33187.5	25790.9	87m	80
MCI Communications	1960.00	1440.0	2.5m	7.5
GTE Sprint	1245.0*	975.9*	1.3m	5
Allnet	269.0	258.6	300,000	1
S.B.S.†	290.0	N.A.	200,000	0.5

† Definitive agreement for MCI to purchase from IBM all assets and operations of S.B.S. in exchange for approximately 46.7m shares of MCI stock

* GTE Communications Services (including GTE Sprint and Telenet)

Research Associate: Rivka Nachoma

Results for AT & T and seven operating companies

Company	1984 Revenue $bn	Revenues 9 months 1984 $bn	9 months 1985 $bn	% change on year	1984 net income $m	9 months 1984 net income $m	9 months 1985 net income $m	% change on year
AT & T	33.20	24.78	25.79	+4.1	1,400	1,000.0	1,193.0	19.3
Ameritech	8.35	6.21	6.74	+8.4	991.0	757.7	822.6	+ 9
Bell Atlantic	8.09	5.99	6.76	+12.8	973.0	731.6	833.2	+13.5
Bell South	9.52	7.00	7.83	+12	1,280.0	894.4	1,080.0	+21
Nynex	9.51	7.06	7.65	+8.4	986.0	724.1	815.5	+12.5
Pacific Telesis	7.82	5.82	6.32	+8.6	929.0	677.7	780.0	+14.9
Southwestern Bell	7.19	5.30	5.90	+11.1	883.0	639.5	765.5	+14.1
U.S. West	7.30	5.19	5.43	+4.6	887.0	668.0	724.7	+ 8.8

Research Associate: Rivka Nachoma

Profits rise for US regional companies

Profit performances by the new US regional telephone companies have surprised Wall Street, as Paul Taylor reports from New York.

WHEN THE court-mandated break-up of the Bell system went into effect two years ago, Wall Street worried that the seven regional companies (RHC's) had pulled the short straw.

Ma Bell's "orphans" were generally seen as basic utilities—providing local phone services through their 22 local telephone-operating companies and not much more—run by management teams which had yet to prove themselves.

Two years later it is already clear that, while many challenges and uncertainties remain, the "baby Bells" have struck out on their own with a gusto that has surprised virtually everyone.

While AT & T's performance to date has lacked sparkle, the regional telephone companies—each a giant in its own right now rank among Wall Street's darlings. Buoyed by aggressive cost-cutting, the regionals' profits have generally exceeded expectations and their share prices have substantially outperformed the Standard and Poors 500 index.

AT & T's results in the first three quarters last year show a substantial gain over the 1984 period, but this largely reflected the group's sub-par performance in the first year after divestiture. Third quarter earnings in 1985 were depressed by a $97m writedown on older business equipment but even then Mr Charles Brown, AT & T's chairman, noted that the earnings performance "represents an improvement, but still falls far short of our-long range financial targets."

As a result, most Wall Street analysts have recently lowered their AT & T earnings estimates for 1985 to about $1.45 a share and about $1.90 a share this year compared to $1.25 a share in 1985. Given A T & T's current high payout ratio they generally do not expect a dividend increase until next year at the earliest.

In contrast, the RHCs have mostly generated double-digit earnings gains which have outpaced all but the most optimistic Wall Street forecasts. The exception is Southwestern Bell, whose slight third quarter earnings decline—partly reflecting the depressed regional economy—surprised Wall Street and has led Southwestern Bell's 12.7 per cent share price gain in the first 11 months last year (1984) to substantially lag behind the RHC's average 20.1 per cent share price gain in the same period.

Overall, however, helped by aggressive cost cutting—the Bell companies reduced their workforces by an average of 4.5 per cent in the 12 months to the end of September—and favourable rate increases, the RHCs posted a 13.6 per cent earnings gain in the first nine months last year, building on a good performance in 1984. This has led Wall Street analysts to expect dividend increases of between six and 10 per cent next March.

But perhaps most surprisingly the regionals' senior executives have proved themselves aggressive managers willing to plunge their companies into a wide range of new businesses. Far from being content to remain plain old telephone companies the RHCs seem determined to become fully fledged competitors in the market for information services and equipment like their old parent and International Business Machines (IBM).

Some, led by US West and Ameritech, are lobbying to move back into telecommunications equipment manufacturing and long-distance services — both activities banned by the court-approved consent decree—all of them have embarked upon an energetic campaign to win regulatory relief at federal and state level, hoping to raise local telephone rates and sell new services, mostly to business customers.

While some have looked overseas for new business opportunities others, like Bell Atlantic, have bought chains of computer stores and one, Ameritech, is in the process of paying $215m to acquire Applied Data Research, a leading manufacturer of software for IBM mainframe computers.

In total, the RHC's have spent over $1.2bn on acquisitions in the last two years and invested almost another $2bn in start-up ventures. While the RHC's still receive about 95 per cent of their over $60bn in annual revenues from local telephone services—and most of their new ventures are not expected to contribute much to the bottom line for some years—their actions have begun to challenge the very basis of the bell system break-up.

During hearings in August, Judge Harold Greene, who presided over the break-up, noted that there is a "strange gap" between the public's desire to have good local telephone services at reasonable rates and the "almost frenzied efforts of the regional companies to diversify and concentrate on outside opportunities."

In their efforts to diversify the RHC's are currently constrained by severaly key factors. First, Federal Communications Commission (FCC) rules restrict their ability to sell information services using their own data processing resources; second, under the consent decree they are banned from selling long distance telephone services, making their own equipment or obtaining more than 10 per cent of their revenues from new and unregulated businesses.

The RHCs do not however, appear willing to sit idly by leaving these rules unchallenged. In Washington they have mounted determined lobbying efforts to change the ground rules—efforts which many industry analysts believe will eventually bear fruit and which could, in essence, amount to a tearing up of the original consent decree.

In the meantime, despite the concerns of some Wall Street analysts and state regulators who fear the RHC's could run into trouble with unfamiliar non-regulated businesses, they are plunging into everything from property to publishing and retailing.

The driving forces behind this near-stampede are competition, technology and regulatory change. The RHC's fear that unless they diversify they could find their local telephone monopoly threatened by satellite companies "by bypass" technology, including non-Bell optical fibre systems and cable TV operators who have already started selling local services to big corporate customers.

The perceived threat extends right to the heart of the local Bell companies' business. Long-distance carriers are already allowed to offer local toll calls in 10 states and under a recent FCC ruling AT&T itself will be allowed to bypass local telephone networks to deliver its popular "800" and Wide Area Telephone Service (WATS) directly to business clients.

In response, the RHC's have been searching for longer-term alternatives to local telephone services to enhance revenues and earnings, among these are:

- Publishing — building on their inherited $5bn-a-year Yellow Pages business several of the RHC's have begun expanding their publishing and advertising empires.
- International—All of the RHC's are trying to sell their telephone system expertise overseas.
- Computers—Nynex, Bell Atlantic and Pacific Telesis, have all established chains of retail computer stores.
- Financial services and property — among the regionals, US West has emerged as the most aggressive in this field building up a $70m portfolio of outside properties and paying $74m for two commercial lending companies.
- Mobile communications—the RHC's operate cellular networks in their own areas but some are seeking to go nationwide. Among them, Pacific Telesis raised eyebrows recently by announcing plans to pay $431m fgor Communications Industries, a Dallas-based company which sells paging and cellular services in 15 states.

Confusion for business customers

In the US, business customers now find themselves with a bewildering range of end-users options, following the break-up of the Bell system, as Lawrence Gasman reports.

ALTHOUGH IT is almost two years since the monolithic Bell System was broken up, US business customers continue to reel under the weight of changes that the break-up has brought.

As end-user options have increased, business customers have begun to see telecommunications less in terms of an essential business service, but rather as a competitive tool. This is especially true in the financial services industry where companies such as Merrill Lynch and Citicorp have invested huge amounts in telecommunications networks and associated office automation schemes.

But for most companies the situation is well summed up by Mr Robert Snyder, manager of telecommunications for Allis-Chalmers. According to Mr Snyder, there is "a lot of extra of tronbla . . . tha biggest impact is a ton of confusion."

Business customers have had to deal with change before, of course. During the 1970s, as the result of FCC deregulation, businesses in tho US first began to buy significant amounts of telecommunicotions equipment and services from outside the Bell System.

Vendors such as Rolm, Northern Telecom, and Harris began to eat into the PABX market by offering digital switches not then offered by AT&T. And during the same period, alternative carriers such as Satellite Business Systems started to offer high speed digital links to large businesses in competition with what was then AT&T Long Lines. But communications managers still had the option of going to AT&T for all their telecom needs.

With the Bell break-up, business customers were forced into a bewildering multivendor environment. The "typical" long-distance business call is now the responsibility of many parties. It starts off being routed through customer-premises equipment (CPE), itself probably obtained from several vendors, then on through the facilities of the local Bell telephone company to a long-distance carrier such as AT&T Communications, MCI, or GTE Sprint.

The long-distance carrier then switches the call to the Bell company that serves the called party, and finally the call goes to that party's CPE. If something goes wrong it can be blamed on the customer's own equipment, or on the local telephone company, or on the long-distance carrier. (And everyone wants to blame the next person!)

Considerations

The demise of AT&T's so-called end-to-end responsibility for the network has left many business customers wondering wbether they could achieve more flexibility and control by installing their own private corporate communications systems, rather than relying on the public switched network.

Another reason for building private communications networks is to "bypass" the local loop. This savea the business customer from having to cover the cost of tho occess fees that long-distance carriers have to pay the local telephone companies for interconnection to their public facility.

Most privata networks now in operation are based on leased lines or on microwave links owned by the subscriber and purchased from companies such as Spectrum Digital. Cable television and even cellular radio may eventually be used in local bypass networks.

The size of some private networks can be enormous. The largest such system in the US was built by the aerospace company, McDonnell Douglas, end consists of $58m-worth of voice, data, facsimile, teleprinter, and video communications systems. It has 11 digital switches which serve more than 200 buildings and 54,000 telephones. If this system were a public telephone company, it would rank in the top 25 telephone companies in the US.

But unlike McDonnell Douglas not all business customers want to try to recreate the old Bell System in their own back yard. Most have more restricted aims. The US Customs Service, for example, has recently installed its own private data network, based on packet switching equipment from BBN Communications.

This system will link 2,900 terminals at around 300 border points in the US, Canada, and the Caribbean to data processing centres in the US. The network can be expanded to include certain operations of the Internal Revenue Service and the Treasury Department.

It is not just business and government organisations that are building their own private communications networks — universities are also in on the act. In the past few months, for example, the University of California at Irvine has installed an Ericsson MD110 PBX with a configuration that includes four switching nodes, linked by conventional cable, fibre optic cable, and microwave. The 3,400-line 65-building system has been handling 10,000 intra-campus calls and 30,000 off-campus calls daily.

Private networks based on leased lines and connecting PBXs, data terminals or teleprinters have in fact been in use for some time. Those companies that have historically relied on private networks have to some extent been insulated from some of the chaos surrounding the Bell break-up. At least they knew the rules of the multi-vendor game.

Thus, according to a communications official at Ford who did not wish to be identified, "the impact of the Bell break-up for Ford has been lessened by the fact that we have our own in-house facilities."

Nevertheless, the Bell break-up has changed the economics of the private network as leased line tariffs have changed and access charges have been imposed.

Furthermore, some of the old nets are going out of business. Allis-Chalmers used to have a private network linking 100 locations in 1981. Now this number is down to 10 and will have dropped to five by next year.

Expensive

But all such networks, new and old, are expensive to install and run. Most communications managers, while desiring the advantages of a private network, would also rather avoid the beadeches associated with their day-to-day operations. This should mean a booming market for "virtual private networks." These networks are operated by common carriers and rely on sophisticated software which allows lines to operate as if they were dedicated.

Centrex, a service which offers PABX-like features through the telephone companies local switch, is enjoying a renaissance. Before the Bell break-up Centrex was in decline because AT & T wanted to push PBX sales. The divested Bell companies have since committed to marketing PBXs and have revived Centrex.

One change in particular is that in some areas, Centrex is now being offered to companies with as few as one hundred lines. Prior to the Bell break-up the smallest customers with access to Centrex had 1,000 lines.

Another development affecting smaller businesses is the advent of shared-tenant communications. Here, an office building occupied by more than one company is wired for sophisticated data communications, with these facilities being shared between all or some of the occupants.

There are about 250 existing or planned multi-tenant communications projects in the US.

Finally, on the horizon, lies the ultimate digital network, the Integrated Services Digital Network (ISDNs). By the 1990s, this will provide access to digital transmission through compatible terminals, plugged into the system with as much ease as telepbones are plugged in now.

* * *

The writer is US Editor of the newsletter Letter from America — Telecommunications Markets and Marketing, published monthly in London by CommuniCorp.

FROM TELECOMMUNICATIONS TO ELECTRONIC SERVICES

The report of the major IIC Study of Telecommunications Structures in the US, Canada, Finland, France, Germany FR, Japan and the UK. The report focuses on:

- the various national approaches toward — and the difficulties of — drawing boundary lines between different kinds of services or distinguishing between various service providers;
- the problems of moving towards cost-based pricing for transmission offerings;
- the global changes in the telecommunications sector and how countries are managing the transition to new industry structures;
- the need for new approaches and mechanisms to address policy problems and industrial trends on a worldwide basis.

'. . . Its conclusions have to be taken very seriously.'
INTUG News

Price: £1,000. To order or for further information contact IIC.

STUDY SPONSORS AT&T (US) • Cable & Wireless (UK) • Citicorp (US) • Commission of the European Communities • Department of Communications (Canada) • PTT (France) • Deutsche Bundespost (Germany FR) • Montedison/Iniziativa ME.T.A. (Italy) • JIPDEC (Japan) • MTV/TT/Nokia (Finland) • Nippon Telegraph 0 Telephone (Japan) • Reuters (UK)
STUDY DIRECTOR Robert R. Bruce, Partner, Debevoise & Plimpton, Washington, DC, and former General Counsel to the US Federal Communications Commission

IIC

INTERNATIONAL INSTITUTE OF COMMUNICATIONS
Tavistock House South, Tavistock Square, London WC1H 9LF, UK.
Tel: 01-388 0671 Telex: 24578
Fax: 01-380 0623

The next big surge in office information systems depends on wider integration of equipment

Office automation remains haphazard

COMMUNICATION has always been at the heart of office efficiency. The problem today is how to gain added efficiency by translating conventional communications in the office to their electronic equivalent at an economic price while maintaining the human values of traditional work practices.

In other words, it makes little sense to instal an electronic mail system at a cost of several thousand dollars a station if office workers find the electronic system inflexible and unfriendly while conventional mail does the job just as well.

The potential inherent in electronic technology to simplify office work ranging from copy-typing and searching files to preparing presentations and business plans has been recognised for decades. With the advent of spectacularly cheaper equipment based on micro electronic technology, manufacturers and suppliers were eocouraged to indulge in similarly sepctacular assertions of the effectiveness of the new machinery.

Their customers quickly learned from experience, however, that the reality was several steps removed from tha glossy images in the brochures. There were two critical areas of misunderstanding:

- First, the suppliers failed to understand that their machinery, although vastly cheaper and more powerful than anything seen before, was nowhere near powerful eoough to satisfy their customers' needs.
- Second, the customers failed to appreciate how much they would have to change their work practices permanently to eccommodate the new machinery.

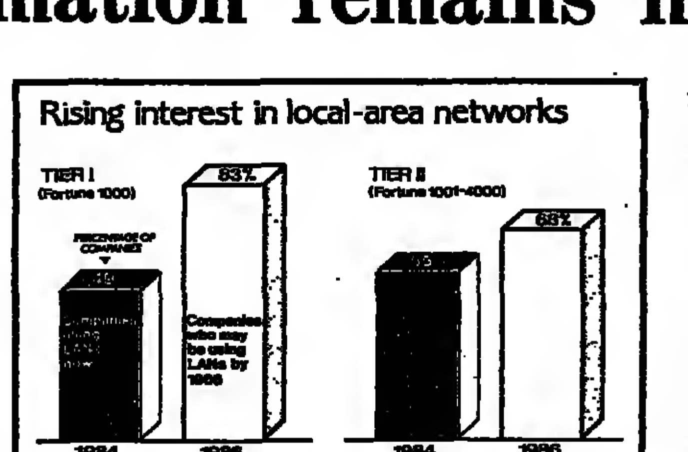
So, for the most part, sntomation of the office has been piecemeal and haphazard. Word processing equipment provided a comparatively low-cost introduction which gave tangible benefits; the professional personal computer gave managers the ability to carry out modest computing projects without recourse to the company data processing centre.

The boom in professional personal computer sales has, in the US at least, slowed dramatically. Just as significantly, surveys are beginning to show that managers are tiring of the novelty of personal computing and delegating much of the routine keyboard work to subordinates.

Ms Randy Goldfield, president of the Omni Group, a New York-based market consultancy told delegates at a Financial Times conference late last year: "Decision-makers are looking for traditional features of an office system in secretarial workstations including shared peripherals, integrated applications and the ability to share files."

"Clearly, there is a gap between the workstations companies are planning to buy and the functionality they says is important to them. The Great Slump of '85 might be a response to this."

She edded: "Local aree networks (LANs) are seen to be



the panacea to solve a range of communications problems. Growth in number of companies claiming they will increase use of LANs is staggering . . . of all applications, communications showa the greatest net increase over the next two years."

So the next surge in office eutomation seems to be dependant on the emergence of cheap and effective methods of connecting together all the principal elements of the office, telephones, word processors, personal computers, electronic file stores, facsimilie machines, printers, copiers and so on.

Not only must it be possibla to link together all the elements of the office, such e system executives and manakers to com- should also make it possible for munlcate with their company mainframes using their personal computers.

(Nota well the use of "company" and "mainframes"; this so-called integrated approach, although well worked out in theory is very new in practice. Expensive, risky and likely to be fraught with costly mistakes, it is still a game that only large companies can afford to play).

LAN was the buzz-word of the late 1970s but was overshadowed by the emergence of tbe professiooal personal computer market in tha early 1980s. Now it has returned to prominence.

A LAN essentially attempts to solve the prboiem of moving very higb volumes of information at very high speeds arouod a comparatively small area—a single building, for example or an office complex. It must cost comparatively little to instal, it must ha compatible with the fabric of the building (a horreodous problem, this ooe, lo older buildings) aod it must operate in a virtually error-free fashion. Ideally it should be possiblo to move information as voice, data or images around the same network.

By comparison, conventional communications between computer and computer or eomputer and terminsl are complicated, very expensive and cumbersome.

The best-known and most researched LAN is Etbernet, developed, as wera so mony ideas of bow tha electrooic office should be implemented, at the Xerox Palo Alto Reseorch Centre.

A numhar of maoufacturers have now developed LANS to Ethernet specificaiions. It comprises a single data communieotions cheonel or "hue" to which oll the communicating components are attached through a simple connector. Stations "listen" for activity on the bus and then send messages, if ell seems clear. If messages collide, both stations cesse sending for en abitrary period then try agein. Statistically, all the messages will eveotuelly get through.

Ethernet can operate at very high speeds — up to 19 million hits of data a second — but its efficiency drops as traffic increases.

It was expensive to instel — $800 or so for a connection — and thet, coupied with the novelty of the integreted epproach to office automation, meant that while interest was high, sales were luke-warm.

Furthermore, e significant administrativa change was taking place. While low-cost professiopal computers and cheap software was being instalied, the balence of power in data processing swung away from the data processing professioosls to the end-users.

With the move, the networking and all its ettendent complexities, the ball moved firmly back into the dp professional's park. And the dp professional was waiting to see what IBM would do.

IBM'e lnfluence is so great that few dp managers would be prepared to implement a major strategy without knowledge of the intentions of the giant of the industry.

It tantalised and irritated customers just over o year ago by announcing the cabling system it intended for use with its LAN.

Then in October 1985 It announced the system ltseif, a "token-passing" ring, eosting initially about $830 a stetion for an eight-statioo configuretion.

The ring is, ln fact, physically and electrically compatible with the US electrical engiooeriog institute (IEEE) tokan ring standard 802.5, and IBM has declered lt wiil be an "open" system, publiehing the interface specifications so other manufacturers can build on its foundation.

Those other manufacturers remain wary, bowever. European and other manufecturers continue to push for the universal adopton of internationally agreed standards (the so-called ISO modal) which would mean ln theory thet any piece of computer-based equipment could be connected to any other. As Dr Rohb Wilmot, chairman of ICL, noted in a ncat paraphrase of the old iodustry saying: "By the year 2000, the management information services motto should be—'no one ever got fired for buying products to international standards'."

Alan Cane

هكذا من الأصل

هكذا من الأصل

Pressures mount on European suppliers

TELECOMMUNICATIONS manufacturing is regularly singled out by national and EEC policymakers as the only major sector in which Europe still looks able to mount a serious industrial challenge to the high-technology superiority of the US and Japan.

On paper, Europe's position appears promising. In contrast to the computer and semiconductor industries, where European suppliers have been reduced to minor roles even on their own home markets, EEC countries collectively enjoy a trade surplus in telecommunications equipment of about $1bn a year.

The European industry can boast a solid record of technical achievement and innovation, including the development of pulse code modulation, one of the key elements in digital communications. Moreover, Europe has a large number of telecommunications manufacturing companies, several of which have established good export positions in "uncommitted" (mainly third world) markets.

However, the outlook for the European industry is more precarious than these facts would seem to imply. The structure of the industry — as well as of its main geographic markets —is fragmented. Much of its production is in sectors where there is excess capacity, notably in public switching.

European companies have also lagged in fast-growing world markets to private systems. According to Dr Henry Ergas, a telecommunications economist with the Organisation for Economic Co-operation and Development. "The new generations of telecommunications terminal equipment — be they modems, PABXs, or communicating workstations — are not being pioneered in Europe."

The bread-and-butter (and much of the jam) of the European industry remains the sale to telephone network operators of public telecommunications equipment, and particularly telephone exchanges. However, this business is being squeezed from both ends.

The investments needed to remain technologically competitive are soaring. The latest families of digital public exchanges each cost $500m to $1bn to develop, largely because of the huge cost of writing the intricate computer software they use. The annual expenditure needed to keep their design up to date is likely to be $100m or more for each system.

About a dozen different suppliers are offering digital exchanges in Europe, against only three major contenders in the U.S. Furthermore, while the American market is about 40 per cent of the world total, no European national market amounts to much more than 5 per cent.

Ne broad-range supplier can any longer survive solely on such a small market share. Moreover, European administrations are increasingly splitting orders between two or more digital systems: British Telecom's decision to pit the AXE exchange developed by L. M. Ericsson of Sweden against System X made by Plessey and GEC is only the latest example.

Some European companies, notably Philips of the Netherlands, France's Thomson, Britain's STC and Hasler of Switzerland, have already been forced to drop their own exchange development programmes. Most others are anxiously seeking ways to secure their survival.

There has also been a wave of defensive rationalisation moves between telecommunications manufacturers in several European countries. In France, Cit Alcatel has taken effective control of Thomson Telecommunications; in Italy, a merger has been agreed between Italtel and Telettra; and in Britain, GEC has launched a takeover bid for Plessey.

These measures may go some way to removing excess production capacity. But they seem unlikely, on their own, to provide long-term solutions to problems of international competitiveness. A race is now on between major European manufacturers to forge international alliances with stronger partners.

There have been repeated attempts at rapprochements between European companies. But so far, these have achieved little progress, in part because European suppliers share many of the same weaknesses. Long encouraged by their governments to think of themselves as "national champions," the leading European companies seem unwilling to make the reciprocal concessions which more than token collaboration would require.

It now appears more likely that the main axis of the European industry's future alliances will be transatlantic. Both Philips and Olivetti of Italy have already formed close links with American Telephone and Telegraph, while IBM is pressing hard to establish ties with national telecommunications authorities (PTTs).

Even in France, which has enthusiastically supported the idea of intra-European collaboration, the state-owned CGE group, the parent of Cit Alcatel, is in advanced negotiations on a deal with AT&T. So far, the French Government has opposed any link-up: the Government was strongly critical of the AT&T-Philips agreement two years ago, which it condemned as treachery to the European cause.

West Germany's Siemens, probably Europe's strongest electrical and electronics group, is openly dismissive of talk of an "all-European" strategy in telecommunications manufacturing. It is pinning many of its hopes on the US, where it is spending $200m on an attempt to enter the public exchange market and is discussing proposed collaboration with GTE, the second largest American telephone company.

Ericsson, Plessey and Cit Alcatel are also seeking to establish bridgeheads in the US public exchange market, though with mixed success so far. Siemens is the only European company to date to have won an order from one of the Bell regional telephone companies which are the main customers for public exchanges.

Many of the European industry's problems stem from the compartmentalisation of national markets and suppliers' heavy reliance on protected orders and subsidies from their national PTTs.

Some critics argue that this dependence has robbed the European manufacturers of the spirit of enterprise. Sir George Jefferson, chairman of British Telecom, described them last year as "introspective and non-risk taking captives of monopoly customers."

Because they have enjoyed large orders from their national telecommunications authorities, which buy almost three-quarters of their output, few European companies have made much effort in the past to develop their own marketing and distribution resources.

This is starting gradually to change, as the companies recognise that much of the industry's future growth will lie in selling equipment such as terminals direct to end-users.

An additional handicap is the severe shortage in Europe of young "start-up" companies of the kind which have pioneered much of the innovation in products such as workstations in the US. Some of these, such as Rolm, a leading US supplier of digital PABXs, have become industry leaders less than a decade after they were set up.

In Europe, however, differing technical standards and approvals procedures, complex administrative procedures and outright protection create enormous obstacles for young companies. As a consequence, the ranks of the leading suppliers in most countries have changed little in recent years.

The structure of the telecommunications manufacturing industry in Europe remains fragmented, but the investments needed to remain technologically competitive are soaring, as Guy de Jonquieres reports here.

The switching market in Europe

	1974	1984 (digital switching)
Austria	Siemens ITT Local mnfctrr: ITT patent	Siemens ITT 50% Local manufacturer 50% Northern Telecom Patent
Belgium	ITT 80% GTE 20%	ITT 80% GTE 20%
Denmark	Ericsson 70% ITT 10% Siemens 20%	Ericsson 80% ITT 20%
Finland	Ericsson 60% ITT 15% Siemens 25%	Cit-Alcatel (patent) 50% Ericsson 30% Siemens 15%
Spain	ITT 25% Ericsson 25%	ITT 70% Ericsson 30%
France	ITT 42% Ericsson 18% Cit-Alcatel 40%	Cit-Alcatel } 84% Thomson } CGCT 16%
UK	Plessey ITT GEC	Plessey } 100% GEC }
Greece	Siemens 40% ITT 40% Philips 15%	n.a.
Ireland	Ericsson 65% ITT 35%	Cit-Alcatel 40% Ericsson 60%
Italy	Italtel 50% ITT 20% GTE 5% Ericsson 15%	Italtel and Second pole
Norway	Ericsson 60% ITT 40%	ITT 100%
Holland	Philips 75% Ericsson 25%	Philips ATT 75%
W. Germany	Siemens 55% ITT 30% Tekade 15%	Siemens 60% ITT 40%
Portugal	ITT 50% Plessey 50%	n.a.
Sweden	Ericsson 100%	Ericsson 100%
Switzerland	ITT 35% Siemens 30%	n.a.

Source: Europe and the New Technologies.

Comparative investments

	Telecommunications equipment market 1981 ($m)	Population (m)	$/Capita
EC total	8,630	270.86	31.86
Japan	5,310	116.78	45.47
US	18,300	227.66	80.38

Source: Arthur D. Little

Britain sets the pace for reform

THE INSTITUTIONAL structure of state-dominated monopoly which has governed the European telecommunications industry for most of this century is starting to shudder and flex under the impact of technological, economic and political pressures.

In Britain, the system has already been cracked decisively by the programme of market liberalisation launched in 1981 and by the sale to private investors last year of just over half the Government's stake in British Telecom.

At present, Britain's experiment is by far the boldest break with the past made anywhere in Europe. But in many other countries, debate about the reform of telecommunications policy has been gathering momentum and in some cases is starting to produce action. For example:

- In West Germany, a Government-appointed committee is reviewing national telecommunications strategy and the role of the powerful Bundespost (Post Office).
- In the Netherlands, the Government has reached an advanced stage in considering proposals to inject private capital into its PIT (telecommunications anthority) and break its monopoly ever the supply of subscriber equipment.
- In Italy, 30 per cent of SIP, the principal state-owned net work eperator, was sold this year te private investors.
- In France, right-wing opposition parties have indicated that they may press for measures to reduce state intervention in the national PIT if they win power in next year's parliamentary elections.
- In Ireland, the PTT was turned at the start of last year from a government department into a state-owned company.

A prime motive in each of these developments is the desire by policymakers to transferm their national PTTS from civil service bureancracies into more commercial enterprises, equipped to exploit more effectively the economic benefits of advances in communications and information technology.

However, the changes are taking place in a largely unco-ordinated way. In spite of efforts by the European Commission in Brussels to nudge governments towards a common telecommunications policy, individual countries are all still pursuing different courses and timetables.

Hence the near-term prospects for a concerted attempt to reduce the jungle of incompatible rules and regulations which keep Europe's telecommunications market divided de net look particularly promising. Even in areas where the need for standardisation is universally accepted, such as the new generation of ISDN services, progress is halting and fragmentary.

In Western Europe, the debate over telecommunications reform is gathering momentum, although changes in some countries are taking place in a largely unco-ordinated way, as Guy de Jonquieres reports.

The maintenance of Europe's market patchwork imposes a high price, both for suppliers ef equipment and services and for telecommunications users. Equipment which is legal in some countries is prohibited in ethers, the kinds of service provided vary from country to country and there are huge discrepancies between national tariff structures.

Within countries, moreover, the search for a fresh approach to telecommunications policy is fraught with complexity—and confusion. Fer example, the terms "privatisation" (of the PTT) and "liberalisation" (of the market) are still used interchangeably in many continental countries, even though Britain's experience has shown that in practice they refer to quite different—and sometimes conflicting—actions.

In most European countries, the PTTs have leng had two principal roles. One is to provide nationally the infrastructure and services for modern telecommunications. The other, which has evolved steadily ever decades, is to promote and support the interests of domestic supplier industries through spending on research and development and procurement.

Reconciling these two functions is, however, becoming an increasingly delicate task. In the interests of getting better value for money, PTTs have started to adopt competitive tendering policies for many larger items of equipment: in most countries, public exchange orders are today split between two or more systems.

Inevitably, this trend is creating tensions. In France, the PTT protested vigorously a few years ago when its two biggest suppliers, Cit Alcatel and Thomson, merged. British Telecom's decision this year to order L. M. Ericsson AXE exchanges and its bid for 51 per cent of Canada's Mitel aroused strong resistance from Plessey and GEC, its main traditional suppliers.

At the same time, international competition and customer demands for wider choice are bringing pressures for change in the PTTs' roles as service providers. The outbreak of a price war last year between US carriers on the transatlantic route has prompted many European PTTs to cut their tariffs to North America and to compete more vigorously for traffic.

Because international calls are immensely profitable, price changes are bound also to have repercussions on PTTs' domestic tariff structures. BT has already begun rebalancing its tariffs to reduce the traditional cross-subsidy between profitable business customers and unprofitable residential services, and France plans to follow suit.

Other countries, such as West Germany, are still resisting such adjustments, which are politically controversial. However, it is uncertain how long they can continue to hold ont without damaging their own revenue base.

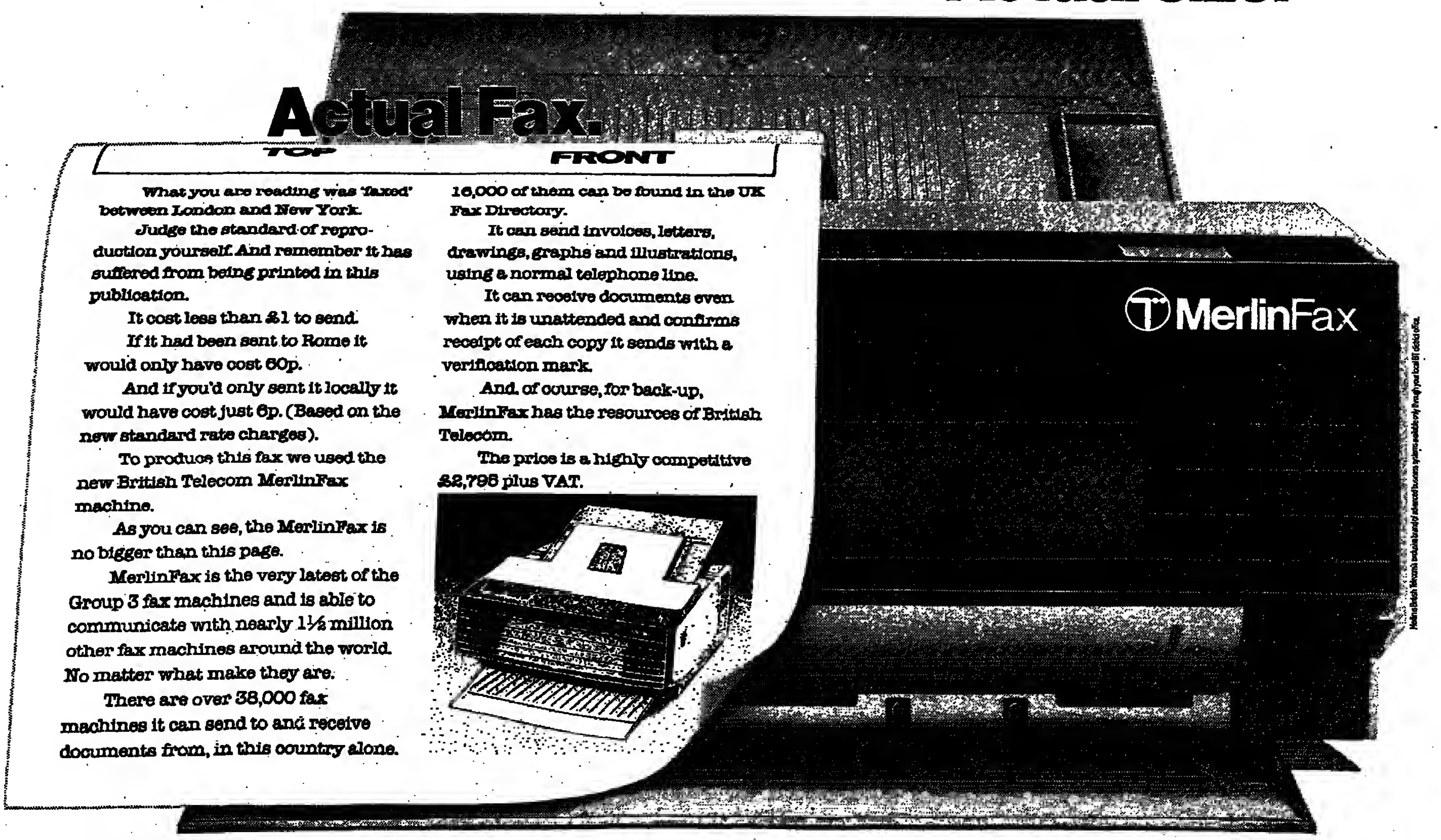
The danger they face is that, by setting tariffs for highly profitable services far above the cost of providing them, they may encourage business customers to route as mnch traffic as possible through countries which offer more attractive prices.

The increasingly broad spectrum of services which technology is making possible, and insistent customer demands for wider choice, is also making PTTs pay closer attention to marketing.

Since 1981, BT has launched a battery of new services aimed

CONTINUED ON NEXT PAGE

Actual size.



What you are reading was 'faxed' between London and New York.

Judge the standard of reproduction yourself. And remember it has suffered from being printed in this publication.

It cost less than £1 to send.

If it had been sent to Rome it would only have cost 60p.

And if you'd only sent it locally it would have cost just 6p. (Based on the new standard rate charges).

To produce this fax we used the new British Telecom MerlinFax machine.

As you can see, the MerlinFax is no bigger than this page.

MerlinFax is the very latest of the Group 3 fax machines and is able to communicate with nearly 1½ million other fax machines around the world. No matter what make they are.

There are over 38,000 fax machines it can send to and receive documents from, in this country alone. 16,000 of them can be found in the UK Fax Directory.

It can send invoices, letters, drawings, graphs and illustrations, using a normal telephone line.

It can receive documents even when it is unattended and confirms receipt of each copy it sends with a verification mark.

And, of course, for back-up, MerlinFax has the resources of British Telecom.

The price is a highly competitive £2,795 plus VAT.

For more information call Freefone Merlin, phone 01-631 2445, or post to: Victor Brand, BTBS, FREEPOST, London SW19 8BR.

Name ______ Address ______

Company ______ Tel No. ______ FT6/1/F

MerlinFax
From British Telecom

BT responds quickly to fend off its rivals

A stimulus to competition in the UK has benefited customers, but British Telecom remains the major player, Jason Crisp reports

SIX YEARS ago telecommunications in Britain was wholly the responsibility of the Post Office which was only answerable to the Government. It behaved rather like a majestic old cruise liner which had seen better days — shabby, slow to move or turn, and with an unhelpful crew. The officers seemed to believe it had the right to roam the seas alone, forever.

The then new Conservative Government — with more complaints than telephones ringing in its ears — set about the old tub with an enthusiasm which was inspired by the sleek and fast liners to be seen on the other side of the Atlantic.

The result was a major refit which divided the Post Office into two, with the telecommunications side becoming British Telecom and a new set of rules which allowed a variety of other vessels to ply their trade.

The Government's vision at that time was to create a vigorous and competitive telecommunications business. British manufacturers, freed from the restrictions and constraints of a monopoly telecommunications buyer, would spring forth in a vigorous and dynamic manner, it claimed. On top of that, all business would benefit from the new products and new service which would result from the stimulus of competition.

Up to a point this scenario has been true, but not always in the way that was expected or probably desired. Undoubtedly, the business customer is much better served than before—which was not too difficult, given the woeful level of service at the time. But finding signs of a flourishing British telecommunications industry outside of BT itself is not such an easy task.

Reinforced

Two events have happened which have reinforced British Telecom's position in the UK.

● First, it has responded to the threat of competition with commendable speed and enthusiasm and, as a result, has exploited its *de facto* monopoly position to the full.

● Second it has been helped to retain this position by the government itself which wanted to maximise the return it received from the sale of shares in BT last year.

The privatisation of BT provided the greatest single contradiction in the Government policy because it meant a reinforcement of monopolies that many—other than investors—thought should be relaxed. In addition, the Government's rush to sell BT meant it was obliged to offer it as a single entity. Again, there was a view that competition would be stimulated by splitting BT.

However its structure and weak financial systems meant a break-up would not have been possible in the short timescale for privatisation envisaged by the Government. There was the further factor of BT's possible role as the flagship of Britain's information technology business. By keeping BT as a single entity—with an expected turnover of more than £8bn this year—it has a powerful base from which to expand internationally.

The impact of competition in the three main areas of telecommunications — equipment, special services and the basic networks—has been mixed.

BT has retained a surprisingly large share of the equipment market from telephone handsets to large and powerful private exchanges, (PABXs). Its success in the PABX market has left thin pickings for those companies entering the British market as a result of liberalisation.

A study earlier this year showed that 70 per cent of PABXs had been replaced in the past four years and some 90 per cent of these were supplied by BT which took advantage of the long time it has taken to liberalise this particular market.

But as PABXs have an expected life of at least eight years there is very little of the present market left for all the new entrants to capture. Indeed, sales of PABXs are likely to fall quite sharply over the next few years until a replacement market develops.

The much-hyped liberalisation of value-added network services (VANS) has so far turned out to be a damp squib. Although several hundred services have been registered there have not been great signs of activity. This outcome has, to some extent, been hampered by Government prevarication over the regulations.

One of the more interesting developments has been the formation of STC Network Systems within ICL to bring together the STC-ICL networks under one roof. On the export front, STC has in the past year won further large orders from China and the US for optical transmission equipment.

What now looks like being the most dramatic result of the UK's liberalisation did not start out that way. When Mercury was set up four years ago as a joint venture between Cable and Wireless, BP and Barclays Merchant Bank, it was only intended to compete for a very small sector of the telecommunications network traffic.

The original plan was to provide high-speed point-to-point computer links for companies. It was to be restricted to England only with no international connections and without a dialled service. Mercury is now a wholly-owned subsidiary of Cable and Wireless, and will be competing with British Telecom for almost all telephone services.

Own network

Early next year it will start a dialled service for all the country which will be achieved through interconnection with BT's own network. Mercury already has international links which are being expanded. Initially it is offering its services to business customers, but in 1987 may also compete for residential telephone users.

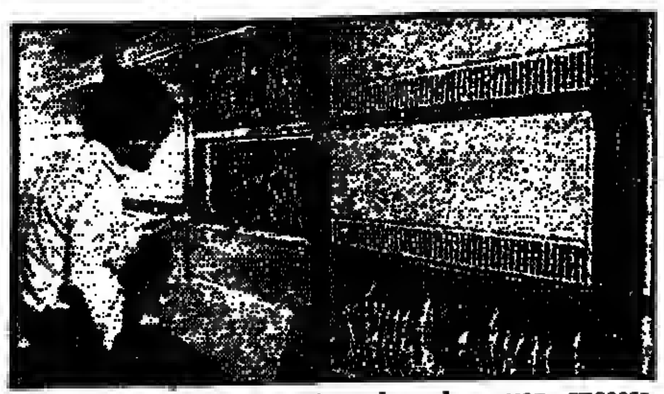
Mercury's greatest breakthrough was the ruling on interconnection with BT which was made in October by Professor Bryan Carsberg, director-general of the Office of Telecommunications.

As a result of that favourable ruling, Cable and Wireless has decided to bring forward its investment plans for Mercury. It means it will extend its links to Scotland and Wales sooner. In addition, the company is looking at expanding its local network in London and extending its trunk network to the south coast.

As a result of the considerable legal, commercial and regulatory changes in Mercury, analysts have increased their expectations of the company. It is now expected to grow very rapidly and make substantial profits.

Although Mercury still has much to prove, it does look like being the most successful product of the government's telecommunications policy. The other area of success is in cellular radio where two operators have been licensed to compete — British Telecom with Securicor and Racal with Millicom, a small US company.

Other than with Mercury and cellular radio, Government policy on liberalisation has only had a very limited success. There is little sign so far of healthy and vigorous competition developing to compete with BT. But it is also true that BT has improved so much few would recognise it from the tired old ship it once was.



AXE digital switching systems have been very successful on world markets. Britain is one of 62 countries which has selected the system—the exchanges in the UK network will be produced at Thorn Ericsson's Scunthorpe plant in a contract for BT worth up to £100m.

Debate over policies

CONTINUED FROM PREVIOUS PAGE

at business customers, while France's PTT has sought to develop a more entrepreneurial approach by setting up arm's length subsidiaries to run operations such as Transpac, its national data network. In the Netherlands, planned liberalisation of the supply of services is intended to bring wider choice.

However, there is still a long way to go. The US Commerce Department estimates that the market for on-line data base services in the US is three times bigger than in Europe, where it has been restrained by tight regulation. Many larger companies operating in Europe also complain that PTTs still do not understand their needs and are often too restrictive.

Many large companies would ideally like in Europe the freedom to operate their own telecommunications services available in the US. However, many PTTs would regard that as a threat to their own authority and revenues and are determined to retain control over their markets.

As state organisations which are often part of the machinery of central government, PTTs wield considerable influence. Thus while commercial imperatives are starting to assert themselves in Europe's telecommunications policies, they remain bounded by long-standing political realities.

Once-cosy world thrown into turmoil

New market entrants and British Telecom changes have shaken up the industry, Jason Crisp reports.

AFTER DECADES of stability and rather limited competition Britain's telecommunications industry has been thrown into turmoil.

This once-cosy world has been shaken by new and forceful entrants into the market from both overseas and the UK and by the considerable changes in British Telecom, a result of liberalisation and privatisation.

Five years ago there were three suppliers of main exchange equipment—STC, the General Electric Company and Plessey—and one supplier of network services, the Post Office.

Almost all equipment for use in the home or at work was bought from the Post Office, as it then was, which actively supported British industry. And as a monopoly supplier of equipment and services it did not worry over much if it did not get the keenest price when it purchased goods.

Since then there have been major changes in the supply of public exchange equipment, two new network services (Mercury and Racal Vodafone), and a host of new suppliers of equipment. British Telecom, now separated from the Post Office and with half its shares in private ownership, has adopted a much more forceful and commercial stance both in its approach to markets and purchasing.

As a result of these changes the British telecommunications industry is beginning to look very different. The main changes are:

● **Public switching:** System X the long-promised and much delayed British developed exchange has been at the centre of part of the restructuring. System X began as joint development between BT itself and its three traditional suppliers GEC, Plessey and STC. In 1982 STC was dropped and the development programme accelerated with Plessey as prime contractor.

In spite of attempts to speed up the introduction of System X it is still only just beginning to be installed in the network in very small quantities — at least two years later than the revised programme.

One result is that no significant sales of System X have been achieved overseas. With the price of exchanges falling rapidly and development costs rising equally quickly there is a widely-held view that it no longer makes sense to have two suppliers competing for the comparatively small UK market.

That view is shared by both manufacturers. In early December GEC fired the opening shots in a bid for Plessey. The main rationale was that it was intended to improve efficiency, particularly of System X manufacture. Plessey's response was to offer to buy out GEC's interest in System X production.

A further pressure on the System X suppliers has been BT's decision to buy a second group of digital exchanges which were developed by LM Ericsson of Sweden. These are being supplied by Thorn Ericsson a joint venture between the Swedish group and Thorn EMI.

BT has indicated that it will buy up to 20 per cent of its exchange needs from Thorn Ericsson which is to manufacture them at its plant in Scunthorpe. At present it has placed orders for 300,000 lines with an option for a further 500,000. First deliveries do not actually begin until late this year.

Meanwhile, STC which has been the sole supplier of TXE4A exchanges since it stopped participating in the System X programme faces the prospect of a greatly reduced activity in public switching which used to be its core business. Once the TXE4 orders cease it will have effectively withdrawn from the mainstream switching business although it will still have quite a lot of work enhancing TXE4 and supplying spares.

● **Networks.** One of the most important aspects of the government's telecommunications liberalisation programme was to replace the monopoly on the network with a duopoly. Mercury Communications, now a wholly-owned subsidiary of Cable and Wireless, looks set to grow very rapidly and profitably as Britain's second network.

Mercury started life as a joint venture owned by C&W, Barclays Merchant Bank and BP to provide competition for the domestic leased line market—a tiny proportion of all telephone network services. Thanks to good lobbying by C&W, changes in government policy and the powerful helping hand of Oftel, the telecommunications regulatory body, Mercury will become a fully-fledged dialled telephone network with international connections.

The critical decision for Mercury was last year's interconnection decision made by Prof Bryan Carsberg, director general of Oftel. It means that BT and Mercury's networks will be linked so that anyone on either network may dial anyone on the other and that any telephone subscriber may choose which network will carry their call.

Effectively this means that most customers will dial into the Mercury network using their BT line for a local call. But Mercury is also building its own local network in London using the pipes once used by the London Hydraulic Company and will use microwave for local distribution in other cities.

Mercury is widely expected to become a substantial company with sales of about £300m a year by the end of the decade, according to analysts. Two other substantial networks are being built in cellular radio mobile telephones which may have up to 500,000 subscribers by 1990.

One is Cellnet, a joint venture between British Telecom and Securicor, the other is Vodafone, largely owned by Racal, and a new company to telecommunication networks.

● **Customers' Equipment.** While BT has been very effective in holding on to a large share of the market in spite of competition a number of new companies have entered the UK market. These range from a very few small indigenous start-ups to telecommunications giants such as Northern Telecom of Canada.

The structure of the whole industry is already looking substantially different after five years of change largely as a result of the government's legislation. Few doubt that the commercial consequences of those laws will continue to make dramatic changes.

Initiatives begin to bear fruit

In France, high priority is being given to a strategy of expansion in the industry, David Marsh reports

IN LINE with the traditional Gallic policy of giving economic priority to high technology, the French Government is sparing no effort in propelling telecommunications along a growth path. A welter of initiatives conceived and put into operation under both the Socialist and the previous right-wing administrations are now coming to fruition.

More than ever, the Direction Generale des Telecommunications (DGT), the country's telecommunications anthority, is trying to play a strategic as well as an economic role by improving expertise and spurring innovation in French communications.

There are still question marks over the eventual economic return of some of the more beadline-catching initiatives in areas like cable and satellite communications as well as the Minitel videotex system mushrooming around the country. What is in no doubt, bowever, is that, in French telecommunications, things are moving.

The positive and negative aspects—at least from a US standpoint—of events in France was summed up in Paris in November by Mr Mark Fowler, chairman of the US Federal Communications Commission. Although be underlined that the UK was leading the field in European telecommunications deregulation, be said that France was a "potentially bright spot," citing particularly the lifting of the state monopoly on TV broadcasting.

On the other hand, European moves — which have been organised above all by France — to set up common standards in the integrated services digital net work (ISDN) field could end np barring US companies from participating in fast-developing markets linking telecommunications and information technology.

The Mitterrand Government has for several years been trying to spur greater unity in European telecommunications through pressing for common standards as well as reciprocal opening of markets. With efforts to sell French digital switching systems in the UK and West Germany failing over the past two years, the Government now however is wrestling with the tricky question of opening up the French market to American Telephone and Telegraph (AT&T).

Allowing in the AT&T/Philips grouping to take 16 per cent of the French switching market, taking over the former share of the loss-ridden CGCT company formerly owned by Internationel Telephone and Telegraph, would solve the DGT's problem of finding an alternative supplier to break the monopoly hold of the French state-owned Alcatel-Thomson grouping.

Alliances

A deal with AT&T would also be linked to an accord to pool technology, under the leadership of Alcatel-Thomson, in mircowave systems, where France believes international alliances represent the only response to tha threatened dominance of NEC of Japan.

Additionally, the Compagnie Generale d'Electricite group which controls Alcatel-Thomson is hoping AT & T can provido logistical and technical support for the task of selling the French E10-Five digital switch in the US market. Alcatel-Thomson has so far made sales among tha independent US telephone companies but has failed to penetrate the Bell Operating sector which makes up 85 per cent of the deregulated US market.

President Francois Mitterrand himself strongly criticised the Philips technological link-up with AT & T three years ago. Because of the political implications of any deal to allow tho American "Trojan horse" on to the French switching market, a decision may be delayed until after the general elections in March.

A reduction in DGT switching orders from French industry has been one of the reasons propelling Alcatel-Thomson ever more urgently towards the US market. With the move towards digital switching started in the late 1970s now on its way to being accomplished, digital switch orders this year are down to about 1m to 1.5m lines a year from 2.5m lines e few years ago. The telepbone network now totals 23m subscribers (against 2m in 1955) — and the market for voice services is near saturation.

Extra orders for equipment connected with the expansion of videotex and associeted services bave partly compensated for this. About 1m Minitel terminals bave now been installed in bomes and offices around the country, with the number planned to grow to 3m by end-1986. With the service expanded from its original priority uses as an electronic telepbone directory, France has the world's best-developed videotex system. More than 1,000 information services are offered via Minitel screens—many of them specific systems designed for companies, as well as an increasing number of data networks offered by banks and newspapers.

Under strain

The Transpac packet-switching network linking Minitels to central computers, broke down during the summer under the strain of growing utilisation. With the average number of interrogations by Minitel users still only about 10 per month, however, doubts still remain over the basic economics of the project.

French companies bave also been stepping up activities in optical fibres to equip local authorities installing cahle links under the DGT's FFR 60bn plan for wiring np France by the end of the century. Lower-than-planned pace of ordering, bowever, bas hit some companies in this sector.

The overall adjustment to e slower rate of DGT orders, as well as a general searcb for increased prodnctivity, has led to workforce cuts at the Alcatel-Thomson grouping. Mr Georges Pebereau, the chairman of CGE, now saya that it is elear that the overall beneficiary of the September 1983 assets swap between his company and Thomson has been the gronp beaded by Mr Alain Gomez.

Mr Pebereau adds, bowever, that the deal, concentrating France's civil telecommunications business on CGE and putting the military business firmly with Thomson was crucial for the ultimate survival of both companies.

It is ironic that the US army's $4.3bn order for Thomson's Rita mobile communication system—whicb bas given a big psychological boost to general French telecommunications marketing abroad — will give extra work above all to Thomson's subsidiary Sintra. This is a company acquired from CGE under the September 1983 deal.

In the satellite telecommunications area, France now has two Telecom spacecraft in orbit offering European and overseas telecommunications as well as a military channel for tho French armed forces. The most revealing illustration of France's overall strategy on space technology will come next summer with the launch of TDF-1, Europe's first direct broadcasting satellite.

France is launching TDF-1 the climax of a long running project first planned with the West Germans at tho end of tho 1970s—in an area where other nations fear to tread.

In June, e consortium of 21 groups decided that a UK direct broadcasting by satellite project was too expensive and too risky. The broad lines of the TDF-1 project are now known following the Government's decision last November to link it to France's first commercial over-the-air TV network due to open in February.

How satellite TV affocts the economic basis of other communications projects — especially in cable networks—will be a big question in Paris during 1986.

Clarification of game plan after EEC entry

Spain is about to bring in a law which will, among other things, define the position of semi-state company Telefonica, David White writes

SUPPLIERS of telepbone-linked systems are anxiously awaiting a new law due to come into being in Spain later this year. This lew will set out the rules of the game, as far as Spain is concerned, after its entry into the Common Market, and it will make clear where the monopoly enjoyed by the semi-state company Telefonica and its control over tha sector begins and ends.

The proposed legislation, redefining the contract between Telefonica and the state, is the offspring of a widcr-ranging Communications Bill which was withdrawn after a cabinet reshuffle in the summer of 1985 and replaced with three more concrete projects. A Telecommunications Bill, and other bills reguleting the introduction of private television and the setting up of an autonomous post office, will now all go to Congress separately.

The general idea is that Telefonica should maintain the exclusivity as carrier that it bas enjoyed for the past 60 years, but that the modem and equipment side of tha business should be liberalised. Telefonica bas already begun restructuring its commercial operations in preparation for the change, under whicb responsibility for approving terminals and other equipment is dua to be taken over by the industry ministry.

Up to now, everything linked to telepbones has been very much under Telefonica's thumb, while Spain has remained a country of captive markets. Companies in which Talefonica has direct interests play a dominant role, especially Standard Electrica—a relic of its long-standing ties with ITT—and Intelsa, a joint venture with Ericsson, which between them supply the bulk of Spain's telepbone exchanges.

The role of Telefonica's industrial interests—with sales last year of Pta 125bn ($780m)—has been reinforced in the last three years under the Socialist Government, which has given the company a leading part to play in bringing Spain up-to-date in electronics.

A four-year investment plan which started this year envisages spending of Pta 925bn and is likely to be overtaken by an even more ambitious five-year project for 1986-90.

According to initial plans, still to be approved by the board, this would total Pta 1,300bn or more than $8bn. Investment projects include involvement in private TV, making use of a new cable network. Among the major spending items are the building-up of Spain's data transmission net and the development of telematics and other new services.

Under the current plan, the proportion of Spanish homes with telephones is dne to be increased from just under 50 per cent at the end of 1984 to 59 per cent in 1988.

Financial needs

The extent of Telefonica's financial needs has made it a permanent sponge for Spanish savings. In recent months it has placed shares for tha first time on foreign stock exchanges in order to increase its potential for raising equity funds. This has meant a doubling of the foreign holding in its capital to 13.5 per cent (the Spanish stato, directly and indirectly, has 47 per cent).

A prime aim if its present management, in co-ordination with the Government's far-reaching electronics plan, bas been to speed up tho entry of new technology and to boost Spain's export capacity in the sector. Tolefonica bas signed assistance agreements with several Latin American countries and has successfully exported its Tesys data transmission system to Canada and other countries. It recently signed a deal to set up a Tesys network in Tunisia, the first of its kind in North Africa and a potential foothold for Spain in Arab markets which are dominated by major European manufacturers.

Aside from this, bowever, Spain still has little technology it can call its own. Telefonica's strategy is simply to buy in tha best available, and to learn from that. The main plank in this is a $200m AT & T custom microchip factory, due to be built near Madrid, with Telefonica as minority shareholder and with substantial financial support from the Spanish Government.

In addition a joint VEHF-Japan project is to design and produce computers and office automation systems with Telefonica in Spain. Pacific Telesis of California is to collaborate in setting up a research and development centre near Madrid; discussions are under way with Philips on development of mobile telephones; and a $20m fibre optics manufacturing project has been provisionally agreed with Corning Glass, US leader in the field.

The first stage of an optical cable link between Madrid and Barcelona is scheduled to be ready in the first half of 1987, with the two cities connected by the end of the following year, well in time for the Olympic Games which Barcelona hopes to host in 1992.

The replacement of a 30-year old coaxial cable link, which bas become saturated, is part of a Pta 50bn plan to update Spain's long-distance network with more than 5,000 kilometres of underground cable and 2,000 kilometres of submarine cable planned for 1990.

This "digital motorway" will connect with France and Portugal—and later (by submarine cable, with Britain and Italy) join the EEC's trans-national broadband backbone.

Spain's eagerness to co-opt US, European and Japanese multinationals is criticised by some in the industry wbo argue that money would be better spent oo developing Spain's own technological capacity. But both Mr Luis Solana, Telefonica's chairman, and Mr Joan Majo, who took over as Minister of Industry this year after being in charge of the electronics plan, ara convinced this provides Spain's best opportunity to establish a place in the world telecommunications business.

Mr Solana is ono man who is a fervent partisan both of Europe's Eureka Project and of tho US "Star Wars" project—"and if they tell me there is a Japanese project," be says, "I will go for that, too."

'VANS'
RISKS AND REWARDS
This conference on value added networks and services is for today's decision makers. A compact two days featuring 30 industry leaders speaking on seven major topics.
● Public policies ● Managed data networks ● The views of pioneers ● Trade data interchange ● VANS – causes and effects ● Technology & VANS ● International VANS
4 - 5 March 1986, The Barbican Centre – London
For more information please phone 01-868 4466 or complete the coupon.
PLUS · PLUS · PLUS · PLUS · PLUS ·
From the 1986 ONLINE INTERNATIONAL Diary
Business Telecom '86 Exhibition and Seminars
The Telephone Systems Show London 4 - 6 March
Open Systems '86 Conference London 19 - 21 March
The International ISDN Conference London 10 - 12 June
Networks '86 Conference and Exhibition London 10 - 12 June
KBS'86 Knowledge Based Systems Conference & Exhibition London 1 - 3 July
Voice Processing Conference London 1 - 3 July
Wideband Communications Conference London 1 - 2 October
Please send me more information on the VANS Business Strategy Conference
And on the following Online events
Name
Company
Position
Address
Postcode
Telex
Telephone
online
Online International, Pinner Green House, Pinner HA5 2AE Tel: 01-868 4466

هكذا من الأصل

Resistance to change remains strong

In West Germany, the telecommunications authorities are dominated by monopolistic views, as **John Davies** reports here.

WEST GERMANY is coming under increasing pressure to show a more liberal attitude to telecommunications which comes as a result of tha commercial and technological changes transforming the industry.

This pressure is meeting strong resistance, however. Although some changes seem inevitable, it is likely to prove very difficult to overcome the conservative and monopolistic views that bold sway among the West German authorities.

The authorities have a "breathing space" at the moment whila a commission of inquiry looks into the world-wide revolution in telecommunications. The 12-member commission began its work last April. It is expected to report to the Bonn government in spring, 1987—shortly after the next federal election.

The commission, headed by Professor Eberhard Witte of Munich, has members from universities, business and politics. The business members include Mr Juergen Terrahe, a member of the managing board of Commerzbank.

The politicians include Mr Peter Glotz, a leading Social Democrat with a reputation for pragmatism, and Mr Edmund Stoiber, e prominent member of Mr Franz Josef Strauss'e Christian Social Union (CSU) in Bavaria.

Members of the commission have already been sounding out companies, individuals and industry associations for their views on the telecommunications sector. Formal hearings ere being planned. The commission will also go to the main countries which have espoused liberalisation, visiting the UK in March, the US in April and Japan in September.

It is widely felt that some liberalisation measures will flow from the commission's report, but expectations at this stage are not high.

Mnch could depend on the outcome of the federal election at the beginning of 1987. In particular, a lot could hinge on the fortunes of the small but influential Free Democratic Party (FDP). As part of its resourceful will to survive, the FDP has embraced the role of ardent champion of liberal free enterprise, and not surprisingly, one of its chief and easiest targets is the Bundespost, the mammoth postal and telecommunications authority.

Mr Martin Bangemann, the FDP leader and Economics Minister, has already taken opportunities to attack the Bundespost's tight control over the marketing of telephone equipment. The Economics Ministry, for many years an FDP fiefdom at Cabinet level, is a long-running antagonist of the Bundespost.

It is conceivable that the FDP may exploit the Bundespost's vulnerability in the party's manoeuvring and campaigning in the run-up to the next federal election. If the FDP wins more seats and if the coalition Government as a whole is returned, this could add to pressures for more liberalisation in telecommunications.

The main coalition parties — Chancellor Helmut Kohl's Christian Democratic Union (CDU) and its Bavarian "sister" party, the Christian Social Union—have mixed feelings about restructuring telecommunications. On the one hand, they are anxious to ensure the right framework for business to thrive, but on the other hand, they see political risks and disadvantages in the US, UK and Japanese models.

They are reluctant to risk the "flak" which might arise if liberalisation favours business while disadvantaging private householders or sensitive regions. Although they stand for a free market economy, they feel obliged to stand behind national equipment suppliers, such as Siemens, in their struggle against foreign competitors.

Inevitably, the pressures for change are mounting, however. Companies are becoming increasingly concerned that the Bundespost is too slow and too restrictive. Businesses are concerned about the cost of Bundespost services. With liberalisation opening up opportunities (as well as risks) in other countries, companies in West Germany fear they may become less competitive. Some international companies are inclined to look elsewhere for sites for communications projects.

Loud voices were raised against the Bundespost recently by the Government's Council of Economic Advisers—the so-called "five wise men." As part of wide-ranging recommendations, they urged the Government to split up the Bundespost's activities. In their view, the Bundespost can no longer keep pace with telecommunications innovations but is preventing others from exploiting them.

Pressure has also come from the US, which wants tha Bundespost to give foreign equipment suppliers more chance of winning orders. Senior West German officials were at pains to placate US representatives at a recent meeting in Munich.

The Bundespost itself, while defensive of its policies, is only too well aware that it has immense problems. With well over half a million workers, it is the country's biggest employer. Its postal division is struggling to rationalise and update its operations, but must reckon with a strongly unionised workforce (as well as a demanding public). Without telecommunications subsidising it, the postal service would find tha going harder.

Overall, the Bundespost is e useful contributor to the Government's finances and this, too, is an element in the conservative approach to telecommunications restructuring.

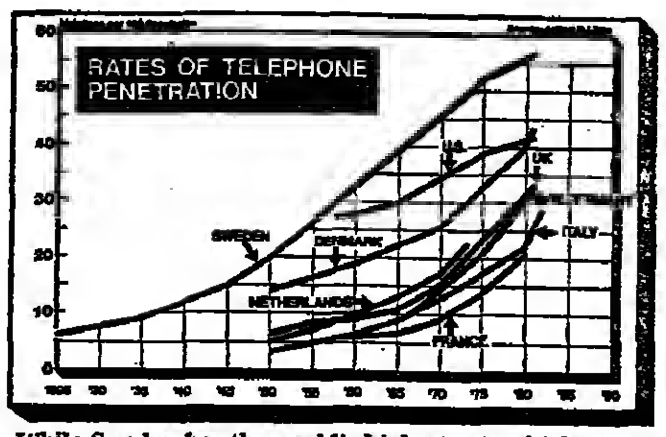
In 1986, the Bundespost is budgeting for a lower net profit of DM 2.36bn in 1986, compared with e budgeted profit of DM 3.1bn for 1985. Among other things, the Bundespost attributes this to rising costs and restraint in postal and telecommunications charges.

It plans a further 5 per cent increase in investment to a record DM 18.1bn (including DM 13.3bn for telecommunications). Its mountain of debt will rise further. Net borrowing for the year is expected to be DM 6.5bn, lifting its total debt burden over the DM 60bn level.

The Bundespost is resolutely pressing on with plans to digitise its network, to integrate digital voice, data and video services and, among other things, to spread cable TV. The digitisation project, however, is not going as fast as some critics would like. Mr Heinz Nixdorf, the head of Nixdorf Computer, has been publicly urging the Bundespost to speed up digitisation.

Orders for digital public switching systems have gone to both Siemens and Standard Elektrik Lorenz (SEL), which is 36 per cent owned by ITT of the US. Both Siemens and ITT have been making major efforts to find other markets for their switching systems to offset the continuing high development costs.

Bonn has sustained orders for its EWSD switching system in more than 20 countries, including China. But a key element in its strategy is the US.



While Sweden has the world's highest rate of telephone penetration it also enjoys some of Europe's lowest telephone tariffs. Ericsson, with a turnover of SKr 29bn, is Scandinavia's leading producer of telecommunications equipment.

New system begins to take shape

Ireland's telecommunications network is undergoing a technological transformation, as **Hugh Carnegy** reports from Dublin.

IRELAND'S telecom sector is in the middle of a massive restructuring and modernisation programme aimed at establishing one of the most advanced networks in the world. Until quite recently the image prevailed of an Irish operator laboriously wielding jackplugs in a small country telephone exchange.

That was the case at the end of the 1970s when two five-month long strikes by workers in the postal and telephone services brought the old-fashioned system to a virtual standstill. Not before time, it became clear to the government that the system may have suited the predominantly rural-based economy of the 1940s and 1950s but was hopelessly outdated and incapable of serving an increasingly industrial-based economy.

The government of the day set up a review board which recommended in 1979 that the postal and telecommunications services be split with the latter being taken out of the civil service. It also recommended a huge investment programme to modernisa the telecommunications network.

The review group's report was given effect and an interim telecom board was set up to plan the structuring of what is called a semi-state body: a wholly-owned state corporation which operates outside the civil service as a commercial enterprise.

The board, meanwhile, set about tackling the creaking network with a programme of heavy investment. To date about I£1bn (£835m) has been spent, half of it borrowed overseas. In a bold technological leap, the board decided to install a digital system and the contracts went to LM Ericsson of Sweden and CIT Alcatel of France.

Digital switching has now been installed in 30 per cent of long-distance exchanges, 50 per cent of short distance junctions and 25 per cent of local exchanges.

While this technological transformation was under way, the final legislation for the establishment of a separate telecommunications company was enacted and Telecom Eireann was set up on January 1 1984.

Telecom Eireann, although wholly owned by the state, is run entirely independently and receives no government subsidy. It has assets of I£1.3bn. Because of the investment programme, which has left it with interest charges alone of I£130m a year, it showed a "substantial loss" in its first annual report last month covering its first 15 months of life.

A five-year corporate plan envisages borrowing and associated costs falling and a trimming of the workforce—TE is the biggest employer in Ireland —by 3,000-4,000 from the present 16,000.

With income currently at I£450m, growth will have to be maintained at present rates of more than 5 per cent if the target of breaking even in the 1987-88 April-March financial year is to be met. Mr Fergus McGovern, the TE chief executive, is confident of this, adding that Ireland's penetration of 20 lines per 100 bead of population is low by western standards.

TE has another burden which helped bring ebout the departure of Mr McGovern's predecessor, Mr Tom Byrnes, who left TE in April this year. He objected to a government levy of I£130m spreod over three years.

Mr McGovern says the issue bad now been settled to the satisfaction of both sides. TE would make "certain payments" to the exchequar over the eame period, but this would not affect the profit and loss account, he said.

TE's monopoly position is secure as it has exclusive privilege over the internal network and is the only body licensed to operate the international network. Only the supply of modems, teleprinters and office PAXBs have been deregulated.

Joint satellite plan by Nordic nations

In the Nordic region, satellite and cable technologies are undercutting state monopolies, reports **David Brown** in Stockholm.

THE GOVERNMENTS of Sweden, Norway, Finland and Iceland have agreed on the final details of an SKr 1.5bn Nordic television and telecommunicetions satellite, Tele X.

The four public broadcasting administrations are to jointly administer two television channels editing their individual programming into an all Nordic format.

The project initially bad industrial development motivations, but is now also seen as a way to counter the commercial and what are seen as cultural threats posed by privately owned cable and satellite etations.

In fact, the public sector monopoly over television broadcasting has already been broken throughout the Nordic region with the advent of Sky Channel, Music Box and Screen Sport and e number of new privata projects in the pipeline.

"The new satellite and cable technology has undercut the state monopolies," says one analyst. "Everyone recognises it will be impossible to maintain.

"Whot we're now seeing is a mad scramble of companies trying to cut themselves a piece of the action."

Indeed, the new technology bas also cut away the traditional boundaries between the public telecommunications agency on the one hand and the broadcasting monopoly on the other.

In Sweden, the Televerket (public telecommunications agency) is moving beavily into tha broadcasting field, with a major investment in cable installations, concentrating on large housing complexes in the large cities of Stockholm and Gothenburg.

Moreover, it has booked space on Eutelesat 4 with the intention of distributing e commercial TV service, giving rise to the curions situation in Socialist Sweden of competing state-run agencies.

A number of private firms in Swedan have come on the market with parabole receiving antennas aimed at customers in outlying regions. With the price of these receivers continually dropping, this is seen as a potentially lucrative field in a sprawling country which stretches nearly 1,000 miles from north to south.

"If tbe expectations we now beve are realised," says e Televerket expert, "there'll be room for most of us in this market."

In Sweden, Televerket's monopoly over dato and telephone communications still appears virtually impregnable. However, there are potential shifts on the horizon. Comvik Skyport, owned jointly by the Kinnevik investment group and Comvik, the mobile telephone service supplier, has announced plans to offer business customers long-line satellite connections with the US. The plen depends on Televerket approval, bowever.

Sweden has tbe world's bigbest telephone penetration combined with among Europe's lowest tariffs and bas been on the cutting edge in the development of new equipment and services.

The LM Ericsson group was one of the first to market an all-digitel public switching system—the AXE—wbich has been sold to over 60 countries with e total of some 10m subscriber lines installed or on order.

With annual sales of SKr 29bn, Ericsson is Scandinavia's leading telecommunications producer, and it holds some 15 per cent of the world telephone exchange market helped by the introduction of its AXE system.

However, its cntry into thc information systems market has proved to bc costly and troubled. After running up beavy losses in the past two years, the group bas been forced to drastically restructure its operations and shake up its top management.

Mncb of Sweden's research and development of telecom equipment including tbe AXE bas been centred et Ellemtel Ulvecklings AB, jointly owned by Ericsson and Televerket.

Equipment developed ot the subsidiary is manufactured by the PTT'e industrial services division, Teli, for use at home. Ericsson produces the same equipment for sale abroed. Only o small proportion of Televerkel's needs ere met by foreign suppliers.

Meaowbile, tbe Nordic region hes the largest end fastest growing mobile telephone network in the world, topping the 100,000 subscriber mark.

In Norway, tbe domestic telecommunications industry, largely dominated by foreign owners such as Siemens and ITT, have been bit by a downturn in the traditiooal bome market, and companies are trying to find new markets abroad. Among Norwegian strengths ore speciolised communications equipment for the sbipping end offshore market, and intercom systems where it holds a major world market share.

In Finland, the stete-owncd PTT's monopoly extends largely to internationel and long-distance service, while regional service is mainly the province of some fifty-eigbt private telephone companies.

The industry leader is the Nokia telecommunications and electronics group, with annual sales of FMk 9.36bn.

Big merger announced

Italy is witnessing an accelerating rate of change in the telecommunications sector, as **James Buxton** reports from Rome.

CHANGES ARE now coming at an accelerating pace in Italian telecommunicatoins. The most important recent development is the announcement of a gradual merger between thc country's two indigenous telecommunications manufacturing companies, Italtel and Telettra. Part of the reason for this merger are the growing donbts ebout the future of the consortium that produces the Italian national pnblic switching company.

Other important developments include the sale to the private sector of a large slice of SIP, the main telecommunications utility, and final preparations of the long-awaited parliamentary bill thot will rationalise the structure of the public telecommunications system. Decisions are also being taken on tho development of Italy's data transmission networks.

Lata in November, Stet, the telecommunications holding company of the state-owned IRI group, agreed with Fiat, the country's biggest privete sector concern, to set up a joint company. Into this joint company will gradually be transferred shares in Stet'a snbsidiary, Italtel and in Fiat's subsidiory Telettra. Each parent will own 48 per cent of the new company, with the balance being held by Mediobanca, the Milan merchant bank.

The initial aim is to create a single Italian telecommunications industry company. Italtel is Italy's major producer of public switching equipment, with group sales last yeer of L1,199bn. It leads the consortium which includes GTE of the US and Telettra, which produces the UT public switching system.

Telettra is e junior partner in that consortium. Its principal activity is in digital transmission, and, unlike Italtel, the bulk of wbose sales are in Italy. Telettra exports about two-thirds of its turnover, which in 1984 amounted to L412bn.

It may well be that not all the shares in each manufacturing company—especially those of Italtel—will be conferred on the new company. Much remains to be settled obout who will run it and bow. But the merger will creato a rather stronger Italian base from which to negotiete in the whirlwind that is sweeping the European telecommunications industry.

The European manufacturers of public switching equipment are finally realising that too many companies are investing too much money in different, virtually incompatible switching systams, causing serions waste of resources and the possibility of big losses in the future. But for tbe Italian national consortium the problems ere if anything more pressing.

This is because GTE, which makes the larger version of the UT exchange system, is negotiating with Siemens of West Germany a deal which is expected to leed to the West German company taking over GTE's manufacturing operations in Europe and, in particular, Italy.

It is reckoned that after 1990, when the current agreemant between GTE, Italtel and Telettra expires, Siemens may bave little interest in continuing with what would be a rival switching system to its own, while Italy is unlikely to want to introduce into the country the Siemens switchings system, since this would bring to four the number of systems operating in the country — taking into account the Ericsson and ITT systems which are also manufactured in Italy.

As a result, Stet is extremely interested in the talks now going on between itself, and the French end British switching equipment makers on reaching some kind of agreement to rationelise their next range of producis ond give them ell a chance of surviving. The alternative would be individual agreements between the companies (oo what Mr Giuliano Graziosi, managing director of Stet, calls "The left bank of the Rhine") with the major Europeen producers—Siemens and Ericsson.

If the future of telecommunications manufacturing in Itely is ouce again uncertain, the future of telecommunications services is becoming clearer. For many yeers it has been recognised by almost everyone that the structure of the system was grossly inefficient and impractical. Telephone traffic between cities, as well as calls between Italy and other European countries are handled by ASST, an offshoot of the Ministry of Posts. The same ministry also handles telex and telegrams.

The rest of the domestic telephone network is in the hands of SIP, o subsidiory of Stet, while inter-continental telecommunications traffic is handled by Italcable, another offshoot of Stet.

A bold policy for reform

In the Netherlands there are ambitious plans to restructure the state telecommunications authority, as **Laura Raun** reports here.

A LARGE, white plastic dome suddenly appeared last autumn along tha broad and grassy ovenue leading to Amsterdam'e etately Rijksmuseum. This futuristic half-bubble is the Dutch PTT telecommunications authority'e most ambitious effort yet to edapt from a eleepy, bureaucratic agency into a competitive, profit-nriented company.

Housing an exhibition called "Telecommunications seen close up," the roving roadshow acquaints visitors with all the latest gadgets the PTT has to offer—from exotic telephones tn high-tech interactive videotex. The subtla message is that the PTT has lots of fancy but perhaps unknown products and services for which the consumer may beve to pay more one of these days.

The impetus behind the PTT's glossy display is the Government's plan to spin nff the PTT in three years into a Naamloze Vennootschap (NV), a limited liability company, whose shares would be held entirely by the state. Two subsidiaries would be created for postal and telecommunications services, with the former retaining a monopoly and the latter losing its monopoly in advanced communications.

The long-discussed plan stops shnrt of British Telecom's privatisation in thet the NV PTT shares would remain in the Government's hands instead of being sold to the public. But the telecommunieations subsidiary would be up against fierce competition for peripheral equipment such as PABX's, videotex, message-switching systems and value-edded networks.

The incorporation plan, which would take effect January 1 1989, seems virtually certain of going through becouse of the decade already spent in carefully honing it, the Dutch PTT's history of open procurement and general agreement from the PTT authority, unions and Parliament.

The proposals still leave open exactly where the lines will be drawn between Government-controlled prodncts and services and those completely open to private competition. It is not clear, for example, whether analogue private automated business exchanges will remain under the NV PTT's monopoly while digital PABX's will be free market; and it is far from certain that the NV PTT will want to compete in rapidly developing and costly businesses such as value-added networks (VANs), which link telephones, computers, telex and terminals.

What is clear is that Philips, the Dutch electronics giant, will lose its favoured position as the PTT's main supplier for advanced equipment such as PABX's and face heightened competition from foreign companiea such as L. M. Ericsson of Sweden and Siemens of West Germany. Because of its small home market, Philips has argued strenuously that European PTT's must look beyond their borders for more business. But ironically, the Eindhoven-based company has remained virtually silent on tha impending breakup of the Dutch PTT's monopoly.

Under the restructuring, tha postal subsidiary would continue its mail and package delivery, where the PTT already competes with private couriers, and telegraph services. The banking activities of the postal Giro system are to be hived off into the new Postbank from January 1 1986.

The telecommunications subsidiary would retain a monopoly on traditional telephone and telex equipment and services and be obliged to manage the infrastructure through a sole concession from the Hague.

The telecommunications subsidiary would be free, but not bound, to pursue the new media activities it vigorously has been developing in recent years. The PTT has accelerated its marketing of hardware and software through the domed roadshow, for example, as well as cute telephone boutiques and flashy newspaper edvertisements. The euthority recently introduced o digital local area network called the V06110 that links telephones, computer terminals and microprocessors, and is quickening efforts in message-switching systems and mobile telephones.

It seems doubtful, however, that the NV PTT will be willing or able to compete against tha very companies, such as Philips, which now spend vast sums to develop and supply products to the PTT. Philips views communications and informations systems as a key niche for the company'e future and is devoting ample resources to these areas.

Philips' "Sophomation" local area network (LAN) was introduced in 1983 and already has a good bead start on the PTT's V06110. Philips recently received a Fl 10m contract from the Societa Internationale de Telecommunications Aeronautiques, a global airline-booking system, for 15 Sophomation Lans and tha order could escalate to Fl 60m.

A market that promises to be a free-for-all no matter who is involved is that for PABX's. The demand for PABX's can be expected to burgeon in coming years as only nine systems were in place in the Netherlands last year, according to tha Steenbergen Commission, e Government-appointed panel whose recommendations on the PTT's future generally were accepted by the Hague.

The Steenbergen Commission found that Holland hed only half as many PABX's as neighbouring West Germany because of excessively high costs resulting from only two suppliers, one of which is Philips. Greater competition could be expected to slash the costs to affordabla levels.

The Commission released its year-long study last July, recommending that the PTT be split into three subsidiaries for postal services, public telephony and advanced communications.

While tha Cabinet accepted most of the Commission's recommendations, it chosa instead to keep all the telecommunications ectivities together in one subsidiary, contending that the current geographical diversification programme would make such o division too difficult.

First Class Transatlantic Connections from a World Class Carrier

FTCC McDonnell Douglas – International Telecommunications

Looking for Transatlantic links? We'll meet you half-way... FTCC collaborates with British Telecom International and Mercury Communications to give you a complete communications service between Britain and the United States.

Text-Voice-Data

Telex, voice or high speed data. FTCC will find the right way. At the right price. With over 100 years' experience on both sides of the atlantic, we have an international reputation for quality and efficiency.

Low Cost-High Speed

You can make substantial savings on your Transatlantic communications bills, using the new high speed, low cost IBS digital services. These satellite services let you communicate at speeds up to two million bits per second. In conjunction with either Mercury or British Telecom we offer an entire range of new digital services, including voice, data, facsimile and video-conferencing.

FTCC Has The Answer

If your company has business in the United States, you should be talking business with FTCC. Call Brian Ingledew or Kerry Manning on 01-377 0964, or write to us at: FTC Communications (UK) Ltd, 13/19 Curtain Road, London EC2A 3LT.

● Telecommunication supplier industries are struggling to adapt to radical change. Loss of captive markets due to deregulation, the soaring costs of new product development are forcing manufacturers to seek out new markets worldwide. Europe is more vulnerable to these upheavals in the communications industry than either the US or Japan.

World's top ten telecommunication equipment manufacturers

Rank	Company	Headquarters	1983 Telecom. equipment sales $bn
1	AT & T Technologies	US	11.16
2	ITT	US	4.86
3	Siemens	W Germany	4.48
4	L. M. Ericsson	Sweden	3.16
5	Alcatel-Thomson	France	2.74
6	Northern Telecom	Canada	2.66
7	NEC	Japan	2.41
8	GTE	US	2.38
9	Motorola	US	2.21
10	IBM*	US	1.73

Research and development

● Figures for R and D cost of digital switching systems ($bn)

System 12 (ITT)	1.0
AXE (Ericsson)	0.5
E10 and E12 (CIT-Alcatel)	1.0
DMS (Northern Telecom)	0.7
System X (GEC/Plessey/BT)	1.4
ESS-5 (Western Electric)	0.75
EWS-D (Siemens)	0.7

Source: Europe and the New Technologies

Markets for telecommunications equipment

	Projections $bn (1979 prices)			
Region	1982	1987	1992	Growth rates (pa) (%)
North America	19.0	29.1	41.9	7.8
Europe	12.5	17.2	23.7	6.7
Asia	11.8	19.1	31.7	10.1
Latin America	1.4	2.0	2.9	7.7
Oceania	0.8	1.2	1.5	6.6
Africa	0.4	0.7	1.0	8.2
Total ($ billion)	45.9	69.3	102.7	8.1

Source: Arthur D. Little

Japan's new NTT sustains momentum

Privatisation in Japan: the restructured Nippon Telephone and Telegraph company has moved quickly to secure new links with foreign manufacturers, as Roy Garner reports from Tokyo.

AFTER YEARS of deliberations, Nippon Telephone and Telegraph (NTT) was finally restructured as a private company in April this year, amid a blaze of publicity; a move which has been of profound interest to players in both the domestic and overseas telecommunications markets.

For domestic firms the question remains as to whether the change in NTT's status will lead to real opportunities at a time of rapid expansion and diversification in the telecomms market, or whether domination will continue in effect but under a different name.

For overseas telecomms suppliers the liberalisation of the telecomms market as a whole, with the NTT privatisation as its lynch-pin has, rightly or wrongly, come to be viewed as a critical indicator of Japan's resolve to do something about trade friction in general, a problem which is currently in an acute stage.

From the domestic standpoint, makers have been somewhat taken aback by the aggressive and businesslike approach adopted by the new NTT, which has moved quickly to secure new links with foreign firms, including IBM and AT&T, in addition to launching bold initiatives for expanded telecomms services in the home market.

Overseas industry representatives, notably leaders of the US Electronics Industries Association, initially expressed satisfaction that a freer market is developing, symbolised by progress achieved in the first round of telecomms market-opening talks.

In recent weeks however, Japan has again come under attack, this time for allegedly showing a lack of readiness to introduce changes in the field of radio wave legislation, and in the short-term at least it seems likely that the telecomms market will remain a potential flash point in the war of words between Japan and the US.

Even before privatisation, NTT was busy preparing itself for the challenge of the open market. In 1983 the corporation was swamped with enthusiastic applicants for the trials of its "Advanced Information Network System" (INS), which involved the use of leased terminal equipment including digital telephones, digital facsimile receiver/transmitters and TV conference devices.

In late 1984 NTT applied to the Government for approval of new high-speed digital data transmission and satellite communications services offering line speeds up to 600 times faster than those then available, and promised that with the new services it was planning it would be able to satisfy all types of customer need in electronic communications, including such services as colour facsimile transmissions, tele-conferencing and newspaper transmission.

This year the momentum has been sustained by a series of announcements concerning joint business activities. In August NTT said it had agreed on a tie-up with 13 Japanese trading houses and engineering firms which involved the setting-up of a new company designed to capture an annual Y50bn share of the international market for data communications networks, particularly in developing countries.

NTT was encouraged in the venture by recent business deals which have included the re-networking of the government computers in the nation of Brunei and an order from China for the reconstruction of optical fibre transmission lines near Beijing.

Operating under the name "NTT International," the new firm, capitalised at Y3bn, brings together several of Japan's top trading houses — including Sumitomo and Mitsui, and three engineering firms; JGC, Chiyoda Chemical Engineering and Construction, and Toyo Engineering Corporation. Telecommunications manufacturers were excluded from the partnership.

NTT owns 50 per cent of the new firm and NTT executive vice president Koji Maeda will assume the presidency. NTT aims to do Y20-30bn worth of business in the first year and Y50bn within three years. The deal brought to eight the number of joint ventures or new subsidiaries in the data comms field established after the April privatisation.

In September this year, however, the biggest developments came with the announcement of a two-year co-operation agreement with AT&T and a joint venture with IBM.

The AT&T agreement is designed to promote mutual exchanges of senior personnel with a view to the eventual formulation of joint telecomms ventures. The deal serves to strengthen already close relations between the two leading telecomms organisations, who have already undertaken exchanges of patented technologies and of research personnel.

AT&T is expected to press for detailed information of the NTT "INS" project, while NTT in turn is interested in AT&T's strategies to cope with its competitors in the newly liberalised US telecomms market.

While Japanese telecommunications companies and computer makers seemed little concerned by the AT&T link, they have reacted with open alarm to NTT's plans to enter into a joint venture with IBM Japan, a deal which calls for wide-ranging co-operation in fields which include VANs, international telecomms services, computer software and sales of IBM computers.

On hearing of the plan, some leaders of the Communications Industry Association of Japan (CIAJ), which represents the nation's key electronics business firms, proposed the immediate filing of a petition with the Posts and Telecomms Ministry to prevent the move but, following discussions between NTT's president Hisashi Shinto and Takuma Yamamoto, the head of the CIAJ, the organisation decided that it would not, after all, oppose the tie-up.

The CIAJ said it had made its decision in the interests of avoiding further aggravation of US-Japan trade tensions. There appears to be a wide consensus among Japan's data processing and communications firms that the IBM/NTT deal could have a monopolistic effect upon their markets, but NTT's Shinto has strongly rebutted these complaints, saying it is wrong for other companies to criticise the proposed partnership before the start of any "full-fledged business."

Speaking at a recent Press conference, Shinto shrugged off the protests, saying that "if we could achieve a level of growth that would give the Fair Trade Commission something to worry about, that would be a success."

In the NTT annual report, the company's R & D spending was said to have increased by 35 per cent in the 1984 business year over the previous year's level. Shinto said that the top priority in future R & D would be software development to facilitate the design of advanced electronic systems.

Concerning recent reports that NTT is planning the large-scale purchase of digital switching systems from firms that include AT&T, Shinto said that the technical portion of related negotiations have been completed and said an "overall evaluation" is now under way with prices the central issue.

NTT's efforts to diversify its activities in the home market show every sign of continuing apace. As of November this year a total of 16 new subsidiaries and affiliates had been established specifically with the aim of developing fresh fields of business.

Rising demand for mobile systems

The market for mobile communications is likely to grow rapidly next year, reports Jason Crisp

WHEN THE two competing mobile telephone networks using cellular radio started service this time last year they professed a confidence in the market which was not shared by everyone.

Even though cellular radio telephones had done very well in the Nordic countries as well as in some US cities, there were considerable doubts as to whether the two British operators could attract the 25,000 to 30,000 subscribers they were confidently predicting by the end of the first year.

As it turns out they were indeed wrong—they were over-cautious. By the beginning of December it is estimated there are more than 40,000 mobile telephones in the UK and in spite of some potential problems there is a growing optimism that both will continue to grow rapidly next year.

Several clear trends have emerged during the first year of operations including:

● Cellnet, the network operator jointly owned by British Telecom and Securicor, has held a 60 per cent share of the market since the services were started last January.

● By far the largest concentration of sales have been in London and the South-East. While this is partly a result of the service being available in these areas first there is little doubt they will continue to be the main markets.

"The rest of the country is where the salesmen earn their money," says Colin Tipping, head of retail at British Telecom's Mobile Phone Division. Dealers in the North-East, for example, have a tough job, he adds.

● As a result of the concentration in London there are already signs of capacity problems. Both Cellnet and Vodafone, owned by Racal, have had to bring forward the introduction of new cells in London.

Both companies are thought to be keen to get their hands on the 400 channels which are being reserved for a pan-European cellular system. If they were able to persuade the government to allocate those frequencies, then the two would have a total of 1,000 channels.

● The top six accredited retailers have probably got 90 per cent of the market. It means that more than 20 other retailers are trying to survive on precious little business and a shake-out looks inevitable.

● Subscribers are using their telephones more than expected (adding to capacity problems at peak times) although this may drop when they see the bills.

● Initial customers have tended to be 'small' business, professionals and individuals and senior management in large companies. The industry is now pushing for large orders from the bigger companies.

● As expected equipment prices have been falling, particularly for hand-held sets. Some retailers have been suggesting equipment sales are not as price sensitive as first thought.

The 10,000 or more jobs which the government predicted would be created by cellular radio have, to few observers' surprise—failed to materialise. Manufacturing of any cellular equipment in the UK is still very modest.

Racal has started making Mobira equipment under licence and Motorola of the US has very recently begun manufacture in the UK. A small portable, marketed by Excell, is also made in the UK by Technophone, but is not being sold in large numbers.

However, there is little doubt that the first year has been unexpectedly good for the network operators and some of the retailers. Heavy promotion, pent-up demand and the natural interest in something new ensured that there was a heavy demand for cellular radio telephones. Inevitably, this year will be harder and will require a stronger sellin geffort.

This will probably hit the smaller dealers harder. The industry has already become remarkably layered. Cellnet and Vodafone each have a large number of accredited retailers which in turn usually have dealers which may also have sub-dealerships. As a result, the margins have to be sliced up a number of times.

The accredited retailers receive their income from a proportion of the connection fee, and call traffic of their customers as well as from equipment sales. It means that those which are more successful benefit from the rising revenues at relatively small cost. They also benefit from the volume discounts from the networks.

It means that those which are successful—such as Racal's Vodac, BT's Mobile Phone Division and the Carphone Company—have an inherent and growing advantage over those which have been slower to establish themselves.

As competition becomes tougher, the competitors are likely to make greater efforts to differentiate themselves from each other, other than through price. Added facilities such as answering and secretarial services and data communications (still a difficult area with donbts over its attractiveness to the user) are likely to play a growing part of the marketing effort.

More foreign groups enter the arena

Equipment manufacturers in Japan are adjusting to new legislation. More foreign companies are also looking for inroads into the Japanese telecom market, as Roy Garner reports here.

BUSINESS ACTIVITY in Japan's telecommunications market has probably never been more intense than it is at present. Telecom equipment manufacturers, both domestic and foreign, appear to have made a rapid adjustment to the post-NTT privatisation business scene, the framework of which is provided by the revised Telecommunications Business Law.

The new legislation provides two categories of carriers: Type 1 carriers which have their own telecomms circuit facilities and provide services to customers and Type 2 carriers which lease telecomms circuits from Type 1 carriers to provide services.

Three principal providers of the Type 1 services emerged in April 1985, each planning to offer telephone and leased circuit services in the Tokyo-Osaka area beginning in late 1986 or early 1987.

The best-known is Daini-Denden (literally "second NTT"), which has the Kyocera group as its major shareholder. The other two companies are Japan Telecom, 36 per cent of which is owned by Japan National Railways (JNR), and Teleway Japan, whose major shareholder is Toyota Motor Corp (6 per cent). All companies have a paid-up capital of around Y8bn.

Daini-Denden is to use microwave radio to provide its 5,760 circuits, while the other firms will use fibre-optic cables to offer a comparable number of lines.

The other Type 1 common carriers are satellite communications firms; the Japan Communications Satellite Co (JCS) owned 40 per cent and 30 per cent respectively by the major trading groups C. Itoh and Mitsui, and the Space Communications Corp (SCC), owned 75 per cent-25 per cent by Mitsubishi and Mitsubishi Electric.

Both satellite companies plan to offer a nationwide leased-circuit service starting early in 1988 using satellites made by Hughes of the US (JCS) and Ford/Mitsubishi (SCC). One other company, Satellite Japan, has also recently been announced, with Sony as the major shareholder.

The fees which Type 1 carriers can charge will be subject to the approval of the Ministry of Post and Telecommunications (MPT) while Type 2 service providers will face fewer restrictions.

Type 2 firms are sub-classified into "Special Type 2" and "General Type 2" carriers, and it is in these fields that the bulk of the new private telecom business companies are operating, mainly offering value-added network (VAN) services.

Special Type 2 carriers are those which provide large-scale services through nationwide networks to unspecified mass customers or provide international telecom services, and these must be registered with the MPT and fees notified. General Type 2 carriers are promised freedom from ministerial control beyond the requirement to make formal notification of their intended business.

Seven companies, including Intec, Fujitsu, NEC, and Hitachi have registered as special VAN providers and over 170 companies have registered for, or plan to offer, general VAN services. Foreign-owned companies face no restrictions as Type 2 carriers, but a limit of one third foreign ownership is applied in the Type 1 area.

The actual Type 2 services offered to users by new entrants in the market can be exemplified by Fujitsu. In the "special" field it will offer message switching and packet switching services, while in the "general" area it will offer leased line services for voice, data and video, telephone exchange services, voicemail, facsimile mail, videotext, message / packet switching services and TV teleconferencing.

Some of these services commenced in October 1985. Fujitsu estimates that the VAN market is worth around Y300bn, and predicts a value of Y800bn by 1990, with 30 per cent held by NTT rivals.

In 1984, NTT's revenue from leased line services totalled US$466.5m, from data transmission $1,240.4m while NTT telecomms R & D expenditures in the same year were valued at $950.4m.

One of the first foreign firms to find success in the Japanese telecom market was Rolm of the US (now taken over by IBM Japan) which succeeded in being the first company, either foreign or Japanese, to win "type approval" for PBX (computerised switchboard) systems.

More recently new entrants have included GTE Telenet of the US, which has joined up with Intec and Sumitomo to form a joint multi-national electronic messaging service, and General Electric of the US, which has tied up for international VAN, and other international network-based businesses with Japan's NEC.

Progress for foreign companies is sure to take time however, aggravated by a lack of experience in the Japan market. Even Rolm, after its first two years of efforts, only actually sold $6m worth of systems, and expects $20m of PBX sales by 1986; a paltry sum by international standards.

It is also too early to estimate the true potential size of the market. As recently as July 1984, the Chairman of Keidanren (Federation of Economic Organisations) warned that no more than one new telecom company would be necessary to supplement NTT, and his call for unified telecomm projects by competing companies, to avoid excess competition, was supported by then MPT minister Keiwa Okuda.

There is also uncertainty about user-response. NTT, for example, has faced unexpected problems in the introduction of two of its new 'phone services in Japan. The conference call facility, which is being tested in eight cities, is being tied up by junior and high school students who are making as many as 3,000 conference calls per day — sometimes skipping school for the purpose — and its mobile 'phone service is being criticised by business users who complain that it is too easy for outsiders to tap into the calls made from vehicles.

Era of massive upheavals

CONTINUED FROM PAGE 1

tion scale needed to absorb development costs.

Though Europe has long prided itself on being strong in telecommunications, it is increasingly being thrust onto the defensive. On a per capita basis, its investment in telecommunications equipment is barely a third of the US level, it lags the US in advanced services and its collective trade balance in telecommunications with the US and Japan is deteriorating fast.

The biggest problem area is in digital public exchanges. With about 10 suppliers in the market, Europe has vastly more capacity than it—or the rest of the world—needs. A shake-out is inevitable and has already begun.

Defensive rationalisation moves have already taken place in France, Italy and Britain. A race is on among European companies to seek strong international partners. In the past three years, both Philips of the Netherlands and Italy's Olivetti have linked up with AT&T and France's Cit Alcetel wants to do the same. BT wanted to join forces with IBM but was blocked by the British Government.

But the removal of excess capacity and the forming of international ties are only partial measures. Europe'e industry cannot hope to compete effectively while its national markets remain fragmented by discriminatory procurement practices, incompatible technical standards and widely differing —and often opaque—equipment approval procedures.

Dr Henry Ergas, a telecommunications economist with the Organisation for Economic Co-operation and Development, has calculated that this patchwork of national barriers means that the costs of introducing a product througout Europe can be up to 100 times higher than in the US.

The irony about these impediments is that they are only a mild deterrent to large US companies: ITT has telecommunications operations in more European countries than almost any of its European competitors. But Europe's market barriers are davastating handicaps for its own companies, and particularly for smaller, entrepreneurial ventures.

Clearing away these obstacles would give suppliers a chance to breathe. It would also benefit another interest group: the telecommunications industry's customers, who have long lived in the shadow of the monopoly system but are now beginning to assert the freedom of choice which increased competition offers.

WORLD LEADER COMES TO UK!

With over 50,000 systems already installed worldwide, the TN 40 communication system is ideal for businesses needing roughly ten to forty extensions. Combining low cost and outstanding features TN40 can be used as PABX or Key System.

- Tie-line and piggy-backing.
- Call cost monitoring.
- Built-in paging.
- Display of exchange lines and extensions.
- Memory dialling (80 numbers up to 17 digits).
- Flexible financial packages.
- Free customer training.
- Installed and maintained by Vistec – a Visionhire company with over 50 years communications experience.

I am interested in the TN 40 system from Vistec, please contact me.

Name

Address

Tel. No: FT1

Vistec General Telephone

Send to: David Ward, VISTEC General Telephone Ltd., Granby Avenue, Birmingham B33 0TN. Tel. No: 021-783 8181.

A major area of growth

Value-added network services are all set to become a major growth area, In Europe, the market could be worth $5.7bn by 1990, with the main users being Britain, West Germany, and France, as Peter Elman reports

BRITAIN, which has the largest potential market in Western Europe for value-added network services (VANS), is expected soon to make up its mind about this major growth area in telecommunications. Vans represent an area where as much argument has been devoted to *how* they will be regulated as to *what* they will actually do.

The UK Government merely fuelled an already-heated debate when it brought out a discussion document in June, outlining a new licensing regime. Its proposals immediately provoked criticism from every sector of the industry. Now it has abandoned its earlier thinking and is to put forward proposals in a new consultative document that appears to go a long way in meeting the earlier criticisms.

If the comments on the document are not too drastic, the proposals will soon go to the licence drafters.

The new licensing regime will provide a major boost to the development of VANS, an area that is already growing rapidly. Since the licensing regime in the UK started in 1981, the Department of Trade and Industry has licensed nearly 700 VANS. However, the real growth is not too clear. Many of these VANS existed before then: many others do not yet exist, having been merely registered.

None the less, no one doubts that there will be real growth. A Western Europe annual revenue in 1982 of about $270m is forecast to increase (by the market research firm, Frost and Sullivan) to $5.7bn by 1990. More than half of this figure will go to private companies, the rest to the telecom administrations. The major VANS countries will be the UK ($1.4bn), West Germany ($1.1bn) and France ($1.1bn).

In the UK, all VANS must operate across the networks that belong to British Telecom (or Mercury). Usually they involve a company leasing a line from BT and sending messages over it to third parties: BT itself, however, is also e major VANS provider (and one whose dominance is feared by the rest of the industry).

The essential ingredient of a VANS is that the message, whether it is voice or data, must be enhenced by the service. Without that enhancement, the message would be a basic conveyance and, therefore, the preserve of the two network operators.

The VANS provider must enhance the message by storing it in the network, forwarding it to two or more third parties, or changing its format, code or content. One of the most popular VANS is electronic mail. The competing services—BT's Telecom Gold, Istel's Comet, Geisco's Quick-Comm or Mercury's Easylink—provide a good example of storage: messages are stored in an electronic "mailbox" until the paying customer calls them up. Another major VANS, BT's videotext service Prestel, provides data storage, retrieval and processing.

Many VANS providers gear their services to specific applications and specific industries, hoping to provide easy-to-estimate productivity gains to their customers. There is already competition to woo customers from the motor, travel and insurance industries, as well as from several categories of retailer.

The new regulations will provide the framework for the developments of VANS until 1990. Then the *raison d'etre* of the whole licensing regime is likely to disappear. For soon after July 1989, the BT/Mercury duopoly on basic conveyance will end.

Despite telecommunications liberalisation, the UK Government had insisted on the duopoly to give BT time to adjust its tariffs for a competitive world and to allow Mercury time to develop into a real alternative to BT. Other companies were restricted to providing only services that added value to basic conveyance. But when the basic network area is opened up, there will probably be little need to license VANS.

It would, in fact, be increasingly difficult to police a licensing regime, even if the Department of Trade and Industry (DTI) or Office of Telecommunications were interested in doing so. For with digitalisation, it will be impossible to tell what is being sent down the line. Digitalisation will also allow the networks themselves to add value as part of their inherent function.

As Sir George Jefferson, the BT chairman, told e Financial Times conference, "an increasing range of what are currently regarded as value-added services will prove to be naturally and more effectively provided as applications of the processing power and in-built intelligence of modern digital basic networks."

Even over the last few years, it has not always been easy to draw a distinction between basic conveyance and VANS. That distinction has finally been blurred altogether by a new breed of service, called a managed data network service (MDNS). This is, as the name implies, basically a service which manages the data that it sends around the network, providing the basis for more specific value-added services.

No one, and certainly not the DTI, had conceptualised the need for MDNS until BT and IBM announced that they would together provide one via a joint venture (codenamed Jove) in the summer of 1984. The UK Government rejected the proposals on the basis that Jove would be too dominant, but said that other companies would be welcome to set up similar services. Several have appeared likely to do so, including BT and IBM separately, ICL, Istel and Geisco.

But the new service created a nightmare for the DTI as it tried to draw up new licensing laws. Its first attempt came in the June discussion document which aimed to take account of MDNS and at the same time to make it easier for companies to set up VANS.

They also said that as MDNS were to be regarded as basic conveyance, albeit of "high quality," BT would have tha unfair advantage of being able to operate them under its existing general licence and to cross-subsidise them from its public network revenues.

The Government is now understood to be proposing that MDNS should be regarded not as basic conveyance, but as VANS. MDNS operators, instead of needing a special licence as originally planned (except for BT), will be able to operate under one general MDNS and VANS licence. This will be a "waiver" licence; it does not have to be applied for.

هكذا من الأصل